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Official Partner of the Olympic Winter Games Beijing 2022

# BUILD A WORLD-CLASS BANK IN THE NEW ERA

2017 Annual Results

March 29, 2018

## 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.

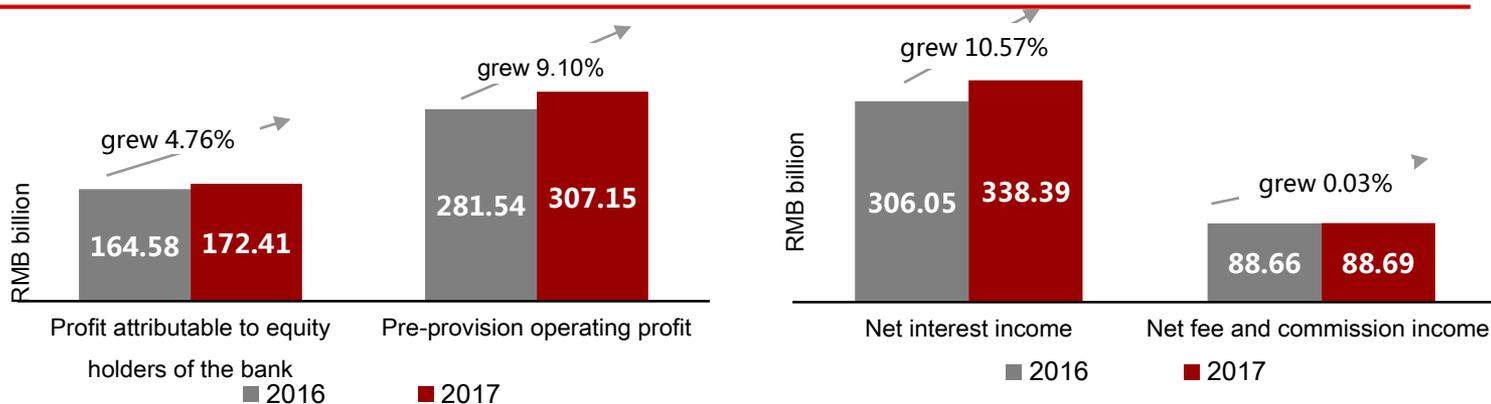
01 2017 Annual Results

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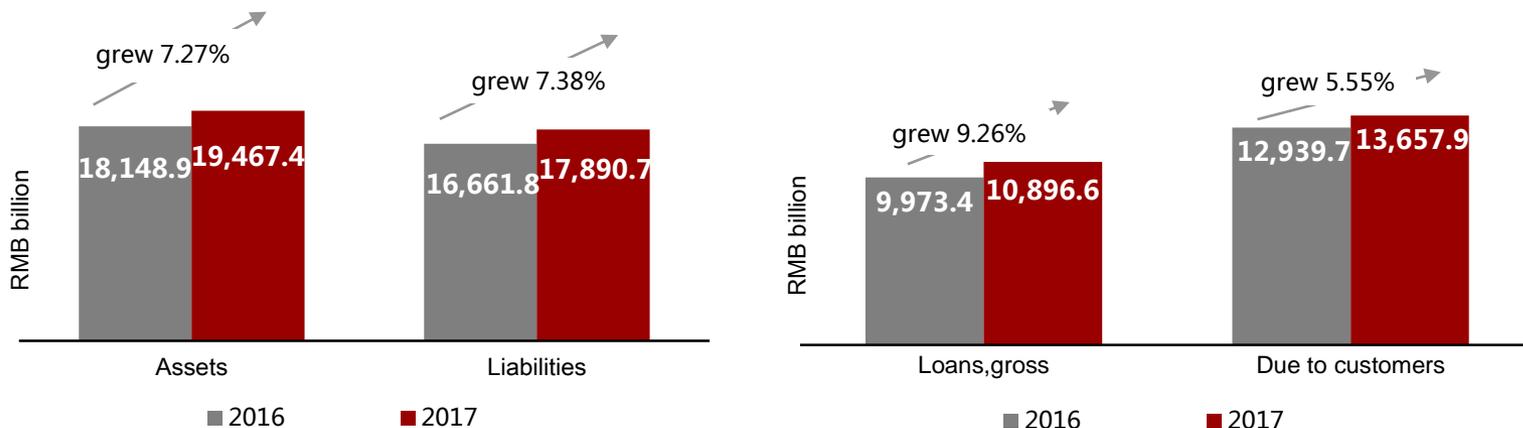
# Delivered solid annual results

## Profits increased steadily



Note: PPOP excluded one-off revenue of the sales of Nanyang Commercial Bank and Chiyu Banking Corporation

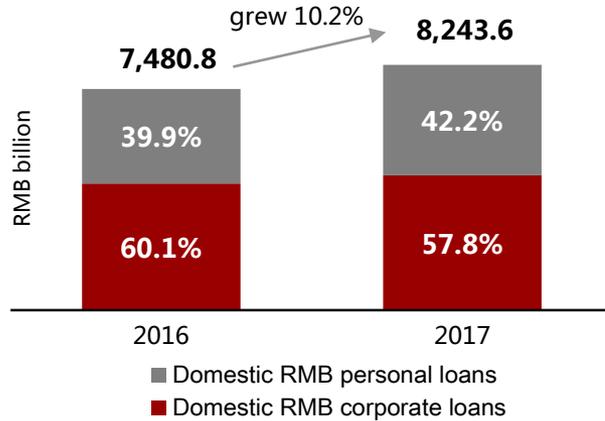
## Scales expanded prudently



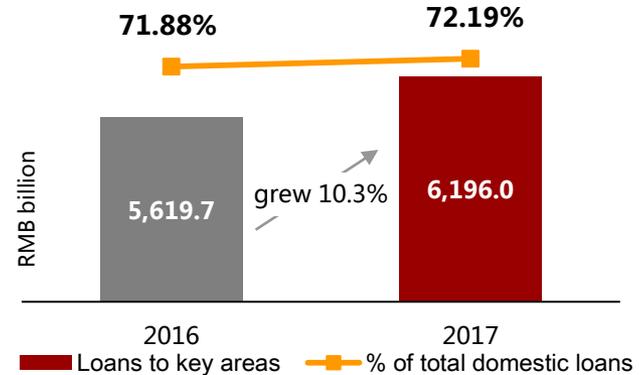


# Enhanced effort to serve the real economy

## Loans grew steadily with continuously optimized structure

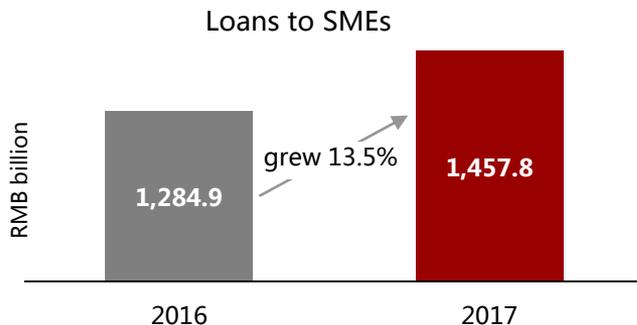


## Proportion of loans to key areas further improved



Note: Key areas include Beijing-Tianjin-Hebei region, Yangtze Economic Belt and Pearl River Delta

## Actively supported SMEs



Note: Micro and small-sized enterprise loans statistical standards are executed in accordance with the Guiding Opinions on Financial Services for Micro and Small-sized Enterprises in 2014 (Yinjianfa [2014] No. 7)

## Deepened the construction of the financial artery of OBOR

- ◆ **Steadily pushed forward financing and project expansion.** The Bank followed up on over 500 major Belt and Road related projects as at the end of 2017. From 2015 to 2017, the Bank granted approximately USD100.0 billion of credit support to countries along the Belt and Road
- ◆ **Continuously expanded funding source.** From 2015 to 2017, the Bank successively issued three tranches of “Belt and Road” theme bonds, with accumulated equivalent amount of approximately USD7.6 billion
- ◆ **Launched Belt and Road financial cooperation model on all fronts.** The Bank entered into and deepened cooperation with AIIB, Silk Road Fund, China Export & Credit Insurance Corporation, Multilateral Investment Guarantee Agency, New Development Bank and mainstream exchanges of the world



# Prevented and controlled financial risks

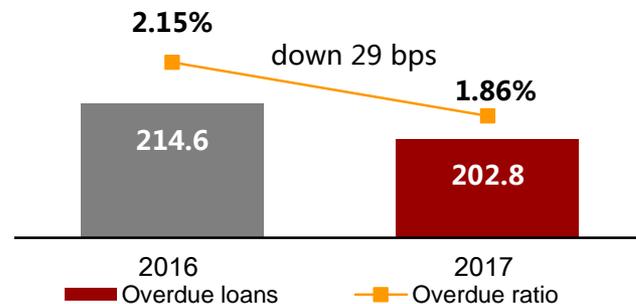
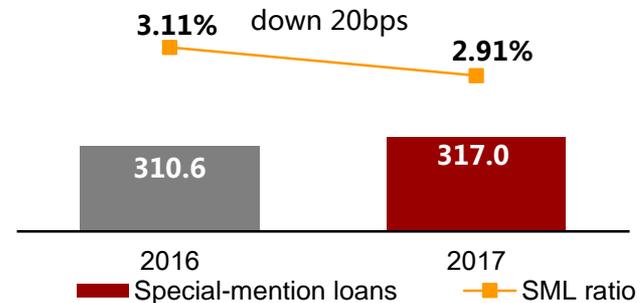
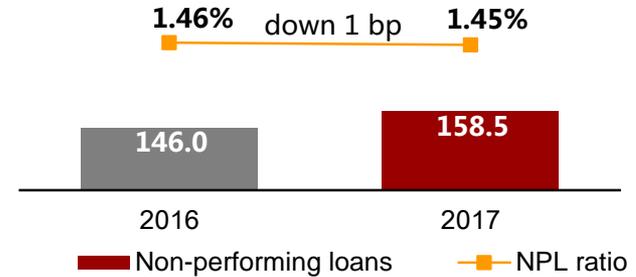
## Took solid steps towards economic deleveraging

- The Bank established debt-to-equity institution, based on both market-oriented and law-based principles, to help high-potential enterprises facing temporary financial challenges to survive their difficulties through debt restructuring and market-based DES

## Made consistent efforts in compliance and internal control

- The Bank strictly followed the regulatory requirements, and carried out all businesses, especially innovative businesses, in accordance with laws and regulations, taking care to forestall compliance risks
- The Bank intensified internal control, conducted special campaigns for internal control and case prevention to detect and mitigate potential risks

## Asset quality remained stable

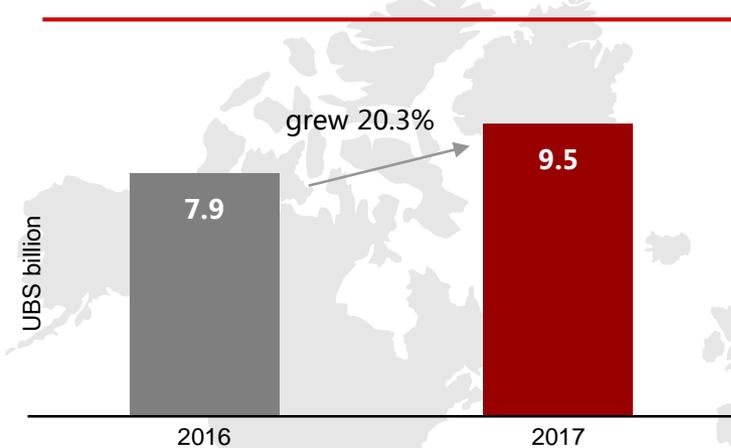


Note: RMB billion



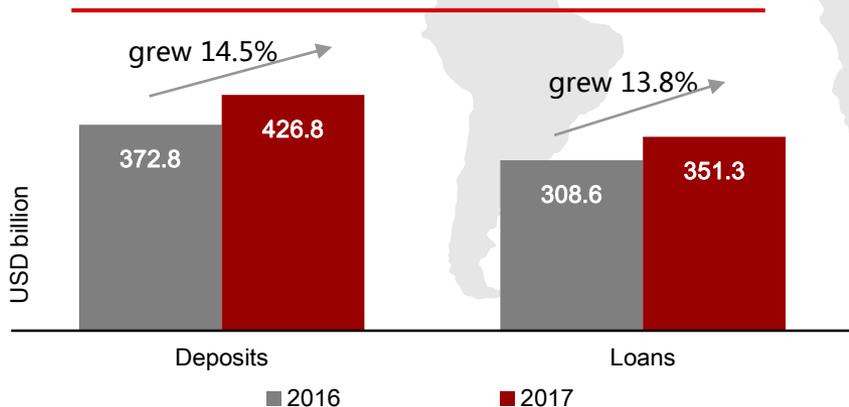
# Strengthened advantages in globalization

## Overseas pre-tax profit increased substantially Note



*Note: excluded one-off revenue of the sales of Nanyang Commercial Bank and Chiyu Banking Corporation*

## Overseas deposits and loans grew fast



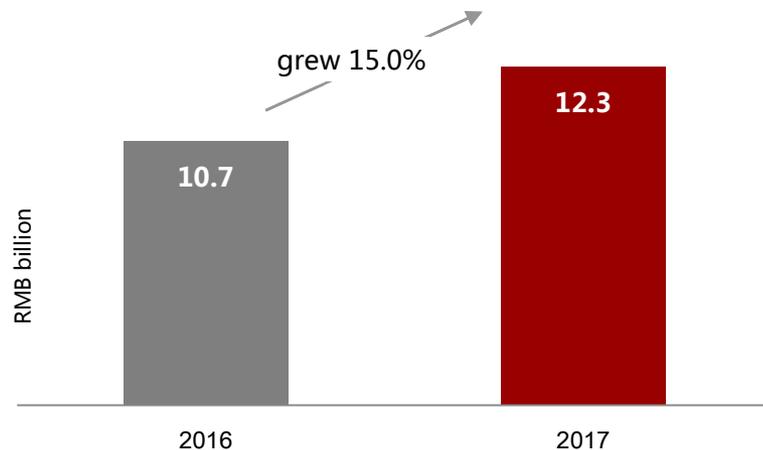
*Note: Overseas commercial banking data*

- **Improved global service network.** As Bank of China Srbija A.D., Beograd, Luanda Branch, Dublin Branch, Karachi Branch, Qatar Financial Centre Branch and Colombo Branch starting business successively, the Bank's overseas institutions now cover **54** countries and regions, including 23 countries along the Belt and Road
  
- **Expanded cross-border business.** In 2017, the Bank transacted RMB3.83 trillion in settlement and RMB349.68 trillion in cross-border RMB clearing, maintaining **1st** place in the global market. Market share Ranked **1st** in terms of underwriting volumes in both domestic interbank market Panda Bonds business and Chinese enterprises' offshore G3 currency bonds business
  
- **Promoted international financial communication.** The Bank successfully held the Belt and Road Initiative international financial communication and cooperation seminars for 8 Pacific island countries and 4 Latin American countries



# Enhanced diversified operations

## Pre-tax profit grew 15% yoy



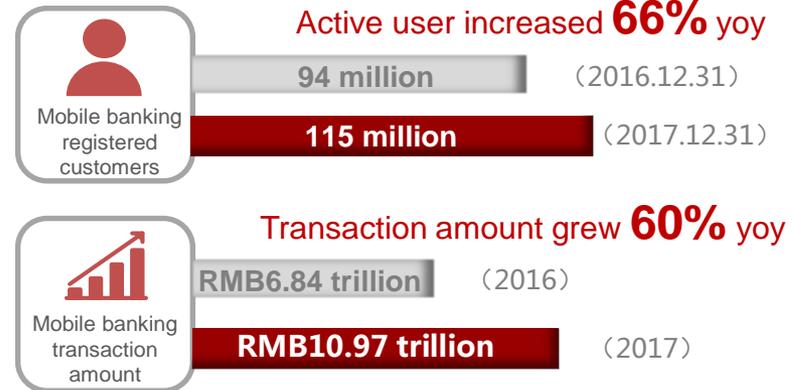
- ◆ **Investment banking business:** BOCI steadily expanded its equity underwriting and financial advisory businesses. Its bond issuance and underwriting businesses continued to maintain leading positions in the market; it solidified leading positions in terms of brokerage and derivative businesses in Hong Kong equity and stock warrant market. BOCI China strived to push forward the transformation and development of its various businesses, thus its market influence steadily strengthened
- ◆ **Fund management business:** As at the end of 2017, BOCIM's AUM reached RMB822.0 billion. In particular, its public-offered funds reached RMB362.5 billion, an increase of 6.0%
- ◆ **Insurance business:** The Bank owns both property and life insurance licenses in domestic and overseas market. It strengthened product innovation, deepened business collaboration and enhanced customer experience
- ◆ **Investment business:** BOCG Investment gradually realized its business transformation from "investment" to "investment + investment management" and continued to increase its operating strength. It grasped business opportunities brought about by the Belt and Road Initiative, and set up the BOC Overseas Fund
- ◆ **Aircraft leasing business:** BOC Aviation is the world's leading aircraft operating leasing company. It owns one of the youngest aircraft portfolios in the aircraft leasing industry, with an average owned fleet age of three years
- ◆ **DES business:** The Bank engaged in debt-to-equity swap and related business through BOC Asset Investment. With registered capital of RMB10.0 billion, it has completed its first project



# Business transform led by sci-tech innovation

- ◆ **Sci-tech output ability improved.** The Bank launched 348 projects, including key projects such as “Mobile Banking 3.0”, smart counters, asset management systems, cross-border matchmaking services for SMEs etc., thus supporting its business development
- ◆ **Mobile banking developed sound functions,** which are user friendly and with cutting-edge technologies and notable features
- ◆ **Promoted smart counter service.** By launching 29 category and 73 sub category service scenarios, the Bank strived to upgrade the “smart” levels of outlet service
- ◆ **“BOC E-Credit”,** the Bank’s online consumer loan product , has grown over 100% yoy in terms of loan balance, loans granted, and customer numbers
- ◆ **Cumulative e-channel transaction** amount reached RMB192.40 trillion, an increase of 20% yoy. The substitution ratio of e-banking channels for outlet-based business transactions reached 94.2%
- ◆ **Applied innovative technology.** Using advanced technologies such as fingerprint authentication, OCR identification, face recognition and “Face ID”, the Bank improved the security and convenience of its mobile banking services

## Mobile banking business grew fast



## Smart counter application made progress





# Promoted market image

## Firmly pushed forward inclusive finance

- ◆ Set up a “1+2” inclusive finance architecture, comprising of “Bank of China together with BOC Fullerton Community Bank and Bank of China Consumer Finance Company Limited”
- ◆ Built a vertical management system for the Inclusive Finance Division. All 36 tier-1 branches set up inclusive finance sub-divisions
- ◆ Acquired shares in 15 village banks held by China Development Bank. Formed the largest group of village banks in the country

## Played an active role in poverty alleviation

- ◆ **Designated poverty alleviation:** rolled out services model of “technology + wisdom + carrier + capital”
- ◆ **Set up the finance-bolstered poverty alleviation model based on the industrial chain:** “bank + government + core enterprises + farmer households”
- ◆ **Purchased more than RMB80 million worth of agricultural and miscellaneous products** via our own platform for targeted poverty alleviation, “BOC for Public Welfare” e-commerce platform

Ranked 4th in the “Top 1,000 World Banks”, and moved 1 place up to rank 5th in the “Top 500 Global Banking Brands” , by *The Banker*

Ranked 8th in the “Global 2000” by *Forbes*

Elected as Chinese President of CCFE and CCIE

S&P Ratings affirmed the Bank’s SACP rating at bbb+. S&P, Moody’s and Fitch all affirmed BOC’s ratings at the highest level among domestic peers

Became the official banking partner of the Beijing 2022 Olympic and Paralympic Winter Games, a bank serving two Olympic Games

Creatively developed green finance. In 2017, it issued a USD1.5 billion equivalent “Climate Bond” and underwrote issuance of the first asset-backed notes (ABN) featuring both “green” underlying assets and “green” use of proceeds, with a principal amount of approximately RMB2.5 billion

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02 **Development Strategy & 2018 Outlook**

# Overall Structure of Development Strategy

## Strategic goal

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, our strategic goal is to build BOC into a world-class bank in the new era by persistently enabling advancement through technology, driving development through innovation, delivering performance through transformation and enhancing strength through reform

## Path

**2020**



The Bank will have further consolidated its development foundation, cemented its unique advantages, improved its systems and mechanisms, and enhanced its overall strength

**2035**



The Bank will have transformed from a large, high-ranking bank to a strong, top-tier bank, thus becoming a world-class bank in the new era on all fronts

**2050**

The Bank will have become a "financial treasure" of a great modern socialist country and will serve as a paragon of the global financial industry

## Implications

Enable advancement through technology. Drive development through innovation. Deliver performance through transformation. Enhance strength through reform

## Values

Responsibility, Integrity, Professionalism, Innovation, Prudence, Performance

## New Era

- Respond to the requirement of new era, bear the duty of new era in mind
- Untiringly fight to secure a decisive victory in building a moderately prosperous society and a great modern socialist country in all respects
- Untiringly fight to make our people to live better lives and achieve prosperity
- Untiringly fight to realize the Chinese Dream of national rejuvenation

## World-class bank

- Root in local business, serve global market
- Root in principal business, develop diversified management
- Enable advancement through technology, drive development through innovation, deliver performance through transformation and enhance strength through reform
- Govern scientifically, control efficiently
- Provide modern financial service with high quality and efficiency
- Take the leading position globally in aspect of overall strength, probability, operation efficiency, management capability, market value and brand reputation

# Strategic implications

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<b>Enable advancement through technology</b>	<b>Drive development through innovation</b>	<b>Deliver performance through transformation</b>
<ul style="list-style-type: none"><li>• Quicken steps to build a digitalized bank that offers an excellent user experience, rich scenarios, smooth online-offline coordination and innovative and flexible products, backed by efficient operations and management and intelligent risk control</li><li>• Leverage mobile banking channel to create an integrated mobile financial portal through which customers can access whatever they need, wherever they go, with a simple tap on their phone</li></ul>	<ul style="list-style-type: none"><li>• Accelerate innovation in technology, products and business by keeping a close eye on the market trends and customer needs</li><li>• Strive to become a provider of high-quality financial services, a builder of connected platforms, a creator of data-driven value and a pioneer of intelligent services</li></ul>	<ul style="list-style-type: none"><li>• Digital technologies</li><li>• Globalized business</li><li>• Integrated services</li><li>• Asset-light operations</li><li>• Streamlined organization</li></ul>

**Enhanced strength through reform**

# Build a world-class bank in the new era

Grasp development opportunities

Resolve development difficulties

Hold the bottom line for risk management

Build strong and professional personnel teams



**Create greater value for shareholders, customers, employees and society**



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# Q & A



# Financial Highlights

## Profit & Loss Summary

(RMB million)	2017	2016	Change
Net interest income	338,389	306,048	10.57%
Non-interest income	145,372	179,608	-19.06%
Net fee and commission income	88,691	88,664	0.03%
Operating income	483,761	485,656	-0.39%
Operating expenses	-173,859	-175,069	-0.69%
Impairment losses on assets	-88,161	-89,072	-1.02%
Operating profit	221,741	221,515	0.10%
Profit before income tax	222,903	222,412	0.22%
Profit after-tax	184,986	184,051	0.51%
Profit attributable to equity holders of the Bank	172,407	164,578	4.76%
EPS (basic, RMB Yuan)	0.56	0.54	4.93%
Key financial ratios(%)			
ROA	0.98	1.05	-7Bps
ROE	12.24	12.58	-34Bps
Net interest margin	1.84	1.83	1Bp
Net fee and commission income to operating income	18.33	18.26	7Bps
Cost to income ratio <sup>1</sup>	28.34	28.08	26Bps
Credit cost	0.81	0.91	-10Bps

## Balance Sheet Summary

(RMB million)	2017.12.31	2016.12.31	Change
Total assets	19,467,424	18,148,889	7.27%
Loans, gross	10,896,558	9,973,362	9.26%
Investments	4,554,722	3,972,884	14.65%
Total liabilities	17,890,745	16,661,797	7.38%
Due to customers	13,657,924	12,939,748	5.55%
Capital and reserves attributable to equity holders of the Bank	1,496,016	1,411,682	5.97%
Net asset per share (RMB Yuan)	4.74	4.46	6.43%
Key financial ratios(%)			
Common equity tier 1 CAR <sup>2</sup>	11.15	11.37	-22Bps
Tier 1 CAR <sup>2</sup>	12.02	12.28	-26Bps
CAR <sup>2</sup>	14.19	14.28	-9Bps
NPL ratio	1.45	1.46	-1Bp
NPL coverage ratio	159.18	162.82	-3.64ppts

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.