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# ACCELERATE BUILDING A WORLD-CLASS BANK IN THE NEW ERA

2019 Interim Results  
2019.08.30



## 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**

**2019 Interim Results**

**02**

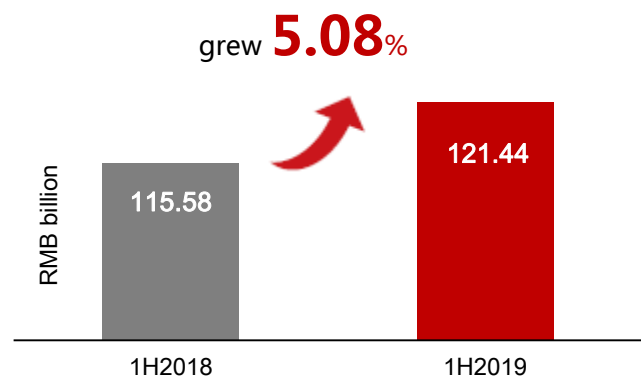
Progress in Strategy Implementation

**03**

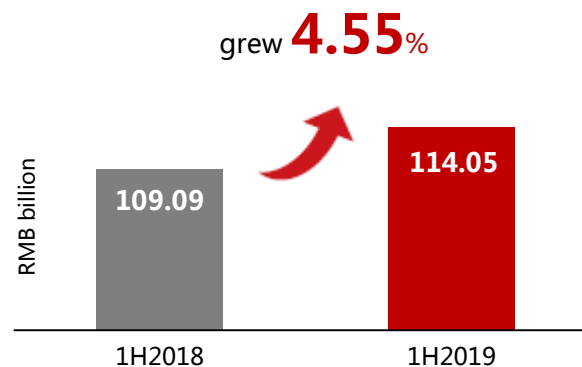
Key Tasks for Next Stage

# Business performance made steady progress

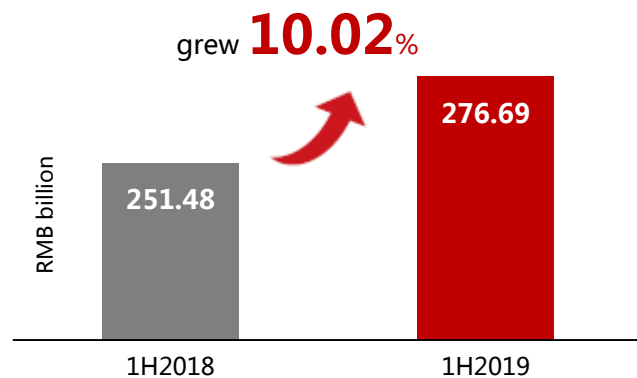
## Profit after-tax



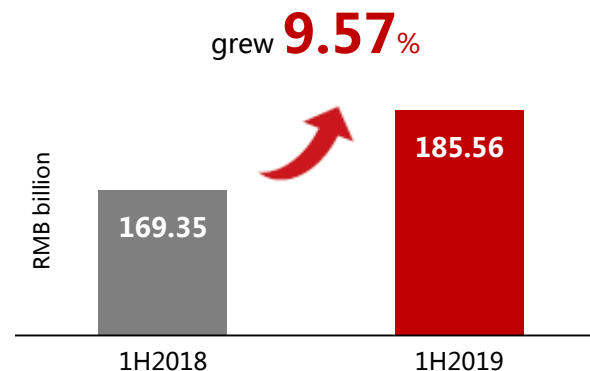
## Profit attributable to equity holders



## Operating income



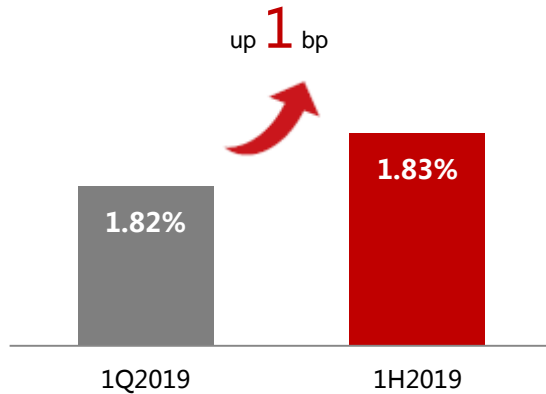
## Pre-provision operating profit



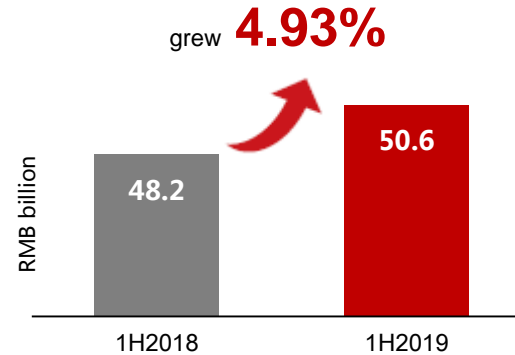


# Core financial indicators improved steadily

## Net interest margin remained stable

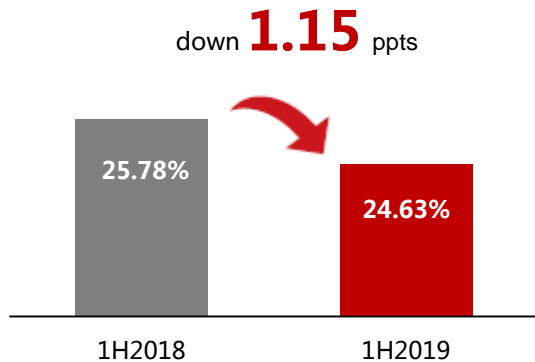


## Fee income increased steadily

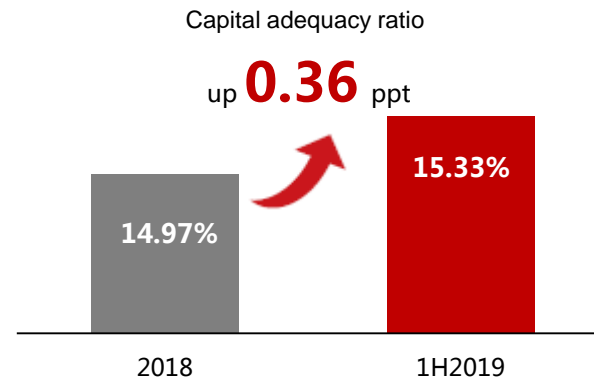


Note: Net fee and commission income

## Cost to income ratio kept decreasing



## Capital adequacy kept improving

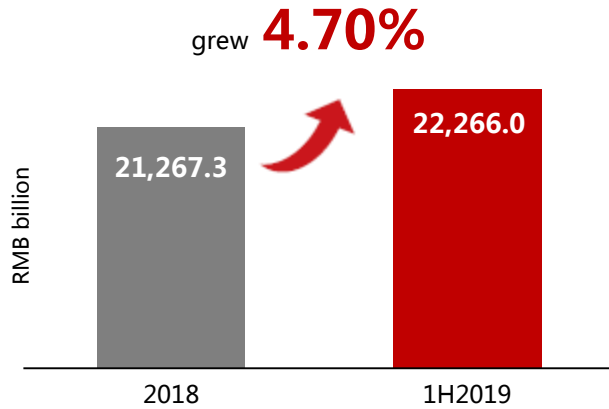


Note: Cost to income ratio is calculated under domestic regulations

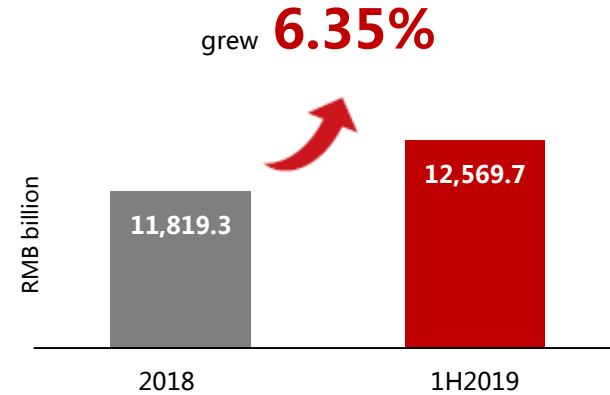


# Asset and liability businesses developed prudently

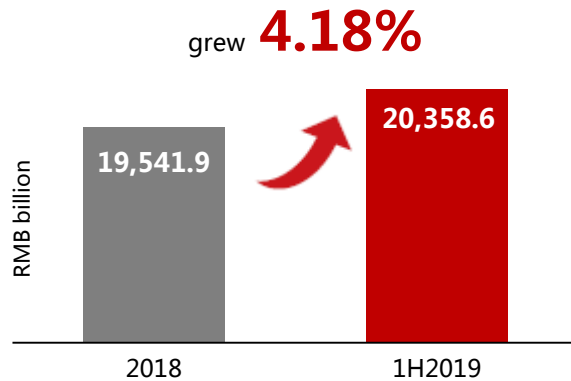
## Assets



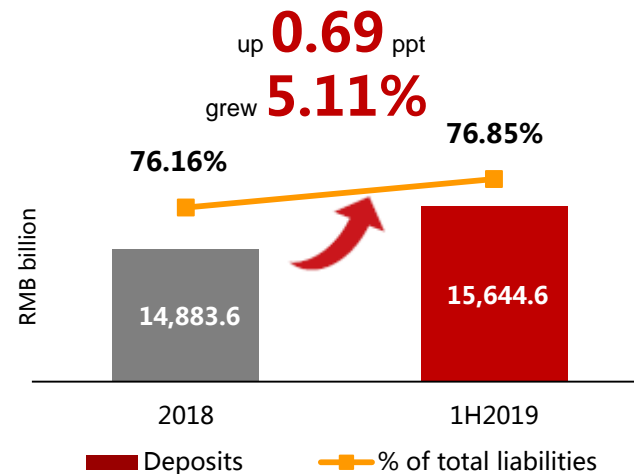
## Loans



## Liabilities

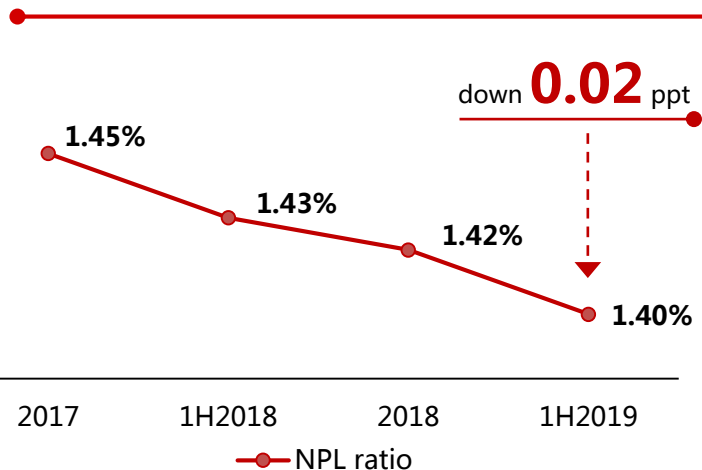


## Deposits

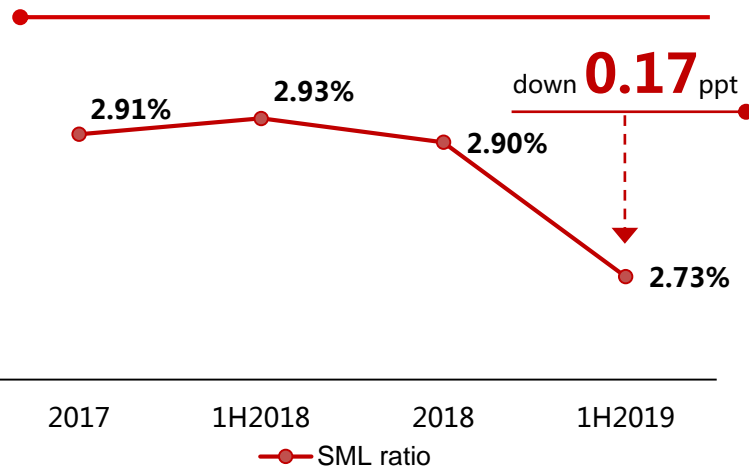


# Asset quality remained stable

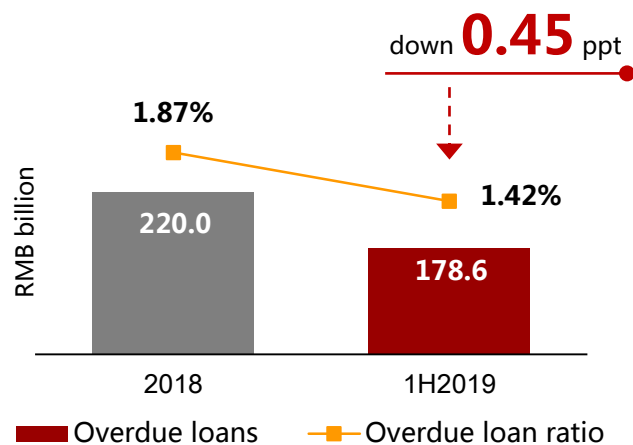
## NPL ratio declined



## Special-mention loan ratio declined



## Overdue loan balance & ratio both declined



## Credit structure optimized

- ◆ Medium- and long-term loans accounted for **71.88%**<sup>note</sup> of domestic RMB loans, up 2.13 pts over the same period of last year
- ◆ Proportion of loans to railway transportation, computer and electronic equipment, information transmission, software and information technology service industries increased
- ◆ Proportion of loans to overcapacity industries and coal industry decreased

*Note: Proportion of the average balance of domestic RMB medium- and long-term loans to the average balance of domestic RMB loans*

# Market position kept promoting

**S&P Global**  
Ratings

**MOODY'S**  
INVESTORS SERVICE

**FitchRatings**

## Serve society through financial channels



S&P **upgraded** the Bank in terms of SACP and preference share rating

S&P, Moody's and Fitch all affirmed the Bank's rating at the **highest** level among comparable Chinese peers

### ◆ Targeted poverty alleviation

Supported poverty alleviation in four counties of Xianyang, Shaanxi Province for 17 consecutive years, intensified industrial poverty alleviation programs, improved the allocation of financial resources, supported targeted counties in completing poverty alleviation tasks to a high standard and pushed forward the economic and social development and living standards improvement in local areas

### ◆ Strengthening education

Continued to provide government-sponsored student loans to support education, and had sponsored 1.80 million financially underprivileged students to complete their studies. Sponsored the Tan Kah Kee Science Award for 16 consecutive years

### ◆ Green credit

Earnestly implemented national policies on green credit and promoted innovation in green finance. Balance of green credit reached RMB689.5 billion

### ◆ Beijing 2022 Olympic and Paralympic Winter Games

Vigorously pushed forward financial service for winter sports industry as the official banking partner of the Beijing 2022 Olympic and Paralympic Winter Games. Serve as the first rotating chair of the Beijing 2022 Olympic Winter Games Partner Club

Ranked **4<sup>th</sup>** among the "Top 1000 World Banks"  
by *The Banker*

**The Banker**



Ranked **8<sup>th</sup>** in "Global 2000"  
of Forbes, up 1 notch over the  
previous year

Best Bank in Emerging Markets  
awarded by *EuroMoney*

**EUROMONEY**



# Agenda

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Key Tasks for Next Stage



# Actively shouldered duties to serve the high-quality economic development

## Actively served key national strategies and initiatives

### ◆ Implemented national strategies and initiatives for regional coordinated development

Outstanding loans to the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei region maintained at a high level



### ◆ Continued to support the Belt & Road Initiative



Followed up on over **600** key projects



Granted more than USD **140** billion of credit support accumulatively



Issued five tranches of Belt and Road-themed bonds with a total amount equivalent to nearly USD **15** billion

## Strongly supported the development of key sectors

### ◆ Soundly served inclusive finance

- Loan balance: RMB379.2 billion, up 27% from the end of last year
- Number of customers: nearly 0.4 million, up 8%
- Both NPL balance and NPL ratio dropped from the end of last year

### ◆ Actively served private enterprises

Loan balance: RMB **1.54** trillion

Newly granted loans accounted for **36.4%** of total new corporate loans in 1H2019



Ranked **1<sup>st</sup>** in amount of underwriting bonds issued by private enterprises among commercial banks in 1H2019

## Shored up weak links in the economy with innovative services

### ◆ Continued to provide cross-border matchmaking services

Held a total of **55** SME cross-border matchmaking events



### ◆ Facilitated the transformation and upgrading of economic structure

Promoted the development of **cross-border, government affairs, sports, pension, and transportation** scenarios



Formulated the **Economic Development Plan for Aging Society**

Accelerated innovations in financial products, enriched financial services, and supported the development of pension industry

## Continuously increased resource input

### ◆ Increased loan and local government bonds investment

- Domestic RMB loan balance grew RMB638.3 billion, up 7.1% from the end of last year
- Local government bonds investment grew RMB158.9 billion, up 9.6% from the end of last year



Provided funds to key sectors

**High quality development of manufacturing industry**

**Improvement of weak links in infrastructure**

**Consumer finance**

**Agriculture-related**



# Enabled advancement through technology to build a digital bank



- ◆ Initiated **14+1 scenario ecosystem** building, practiced the concept of digitalized transformation and opening-up
- ◆ Pushed **IT infrastructure** layout transform with **5 centers in 4 cities**, consolidated business development foundation
- ◆ Established **BOC Financial Technology**, explored new path for FinTech development
- ◆ Built **co-innovating project mechanism**, deepened integration of business and technology
- ◆ Expanded key areas such as **smart investment advisor, smart customer services, smart risk control and quantitative transaction**

## Mobile Banking



Registered customers reached **163 million**, up **12%** from the end of last year; active customers continued to grow at a high speed



Transaction amount reached **RMB13.65 trillion** in the first half year, up **64%** yoy

- ◆ Released **Mobile Banking Version 6.0** and realized personalized and customized services. Added functions such as income and expense recording, voice navigation, voice-enabled fast transfer and online personal business loan service. Adopted new security authentication methods



- ◆ Provided new version of **on-line customer service**, enhanced interactive experience
- ◆ Overseas version of mobile banking is available in **18 countries and regions** and supports **9 languages**

## Transaction Banking

- ◆ Launched the pilot **“Single Window” financial service for international trade**
- ◆ Enriched the **cross-border E-Commerce** scenarios and reached cooperation intentions in foreign exchange business with multiple payment institutions



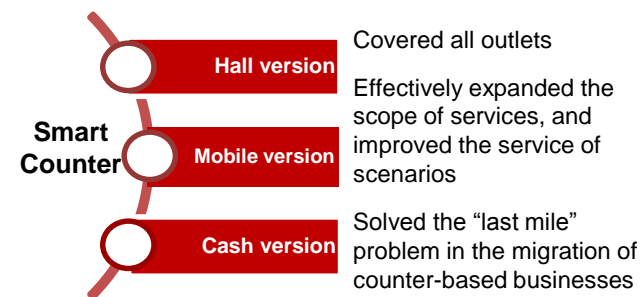
- ◆ Business scale of **BOC Bill E-Discounting** grew rapidly
- ◆ Refined the activation process of **corporate online banking** and launched the function of contracting at the counter, customer numbers reached **4.25 million**, up **9%** from the end of last year



- ◆ Improved the comprehensive product system of **Global Cash Management Platform+**; customer numbers reached **27 thousand**, up **14%** from the end of last year

## Smart counter

- ◆ Became the first bank to launch **5G Intelligence + Life House**, reshaping business models of outlets
- ◆ Became the first bank to introduce a new **O2O physical smart delivery model**, enabling customers to make online reservation and collect products offline
- ◆ Substitution ratio of smart counter for counter-based businesses reached **95%**



- ◆ Accelerated the promotion of **corporate account opening via mobile counters**, and realized door-to-door “one-stop” account opening and product contracting





# Drove development through innovation and sharpened unique competitive edges

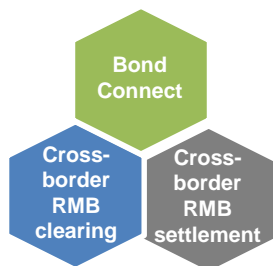
## Improved innovation mechanism

- ◆ Steadily pushed forward the **building of a three-tier innovation management system**
- ◆ Set up the first **Head Office-level innovative R&D base** in **Singapore**, and pushed forward the construction of **innovative bases in Xiongan New Area and Yangtze River Delta**
- ◆ Set up a **5G joint innovation and application lab** and a **transportation FinTech innovation lab**
- ◆ Established a **pilot and fault tolerance mechanism** for new products

## Accelerated the development of featured businesses



### Market leading



### Ranked 1<sup>st</sup> among Chinese peers



## Intensify R&D and promotion of new products

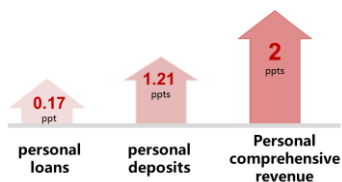
- ◆ Promoted **BOC Wealth Accumulator**, and seized the opportunity arising from **aggregate payment**
- ◆ Improved **BOC Robot Advisor**, and optimized product function of AI investment advisory service
- ◆ Launched **five series of new wealth management products** to meet citizens' **wealth management** needs
- ◆ Launched the **Greater Bay Area Account Opening** service and facilitated **financial interconnection in the Guangdong-Hong Kong-Macao Greater Bay Area**



# Delivered performance through transformation and enhanced value creating capability

## Asset-light operation

### ◆ Contribution of personal banking business continued to increase



Note: domestic data. Contribution change of deposit and loans is compared with the end of last year. Contribution change of comprehensive revenue is compared with the same period of last year

### ◆ Capital-light businesses developed rapidly

- Amount of domestic bonds underwriting increased by **54%** yoy
- Led the market** regarding bond transaction volume of overseas institutional investors; ranked **1<sup>st</sup>** in terms of the market share of China's offshore bond and panda bond underwriting
- Served as **financial advisor** for major transactions such as M&A, asset sale, introduction of strategic investors, project construction and issuance of overseas REITs

### ◆ Market competitiveness of custody and fiduciary businesses improved across the board

- The Group's assets under custody stood at RMB10.37 trillion
- Assets under cross-border custody maintained **top among Chinese peers**
- Obtained the qualification for pension custodian in 17 provinces, and secured a **leading position among peers** by winning all of the bids for custodian bank services invited by provincial and municipal occupational annuities

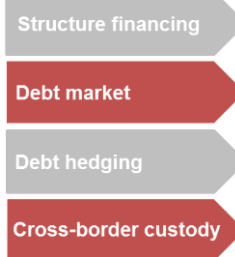
## Globalized business

### ◆ Accelerated the improvement of global service network

- Overseas institutions covered **57** countries and regions, including **24** countries along the Belt and Road
- Maintained a **leading position among Chinese peers** in terms of the proportion of overseas operating income and profit before tax

### ◆ Leveraged the advantages of overseas business centers

- Completed a batch of **symbolic programs**



### ◆ Advanced regional integration

- BOCHK completed the **integration of 8 Southeast Asian institutions**



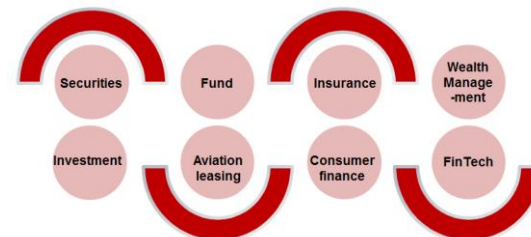
## Integrated service

### ◆ Performance of integrated business enterprises improved rapidly



Non-banking business realized profit before tax of RMB9.7 billion, up **16.5%** yoy, **faster than that of the Group**

### ◆ Added integrated operation licenses



### ◆ Consolidated the position as the largest village bank group in China

- Set up **127** BOC Fullerton Community Banks in 22 provinces (municipalities)
- Being approved to establish a village bank for **investment management** in Xiongan New Area



## Enhanced strength through reform and invigorated the Group's internal dynamism

### Advanced organizational framework improvement



- ◆ Improved the organizational frameworks for **inclusive finance, transaction banking and integrated operation management**
- ◆ Pushed forward **organizational structure reform of personal banking business**, launched research on management system reform
- ◆ Dedicated to building a new organizational system featuring horizontal coordination, vertical penetration, prompt response and efficient functioning

### Improved mechanisms for incentives & constraints



- ◆ Strengthened **market benchmarking** and **value creation orientation**
- ◆ Implemented the **“five-year penetration” performance assessment**, comprehensively assessing the value contribution and performance sustainability
- ◆ Intensified remuneration incentive, launched pilot schemes of **income-sharing, market-based remuneration**, and **investment banking style salary** in key areas such as FinTech and wealth management subsidiaries, offered **flexible remuneration** for high-end scarce talents and supported **global talent attraction** for strategically key areas

### Improved the Group's governance system



- ◆ Formulated and implemented **four “50 Rules”** for grassroots management of domestic outlets, overseas institutions compliance, integrated business enterprises and departments of the Head Office, further improving the Group's governance mechanism
- ◆ Continuously improved the **corporate governance** system, further strengthened the Board of Directors, and steadily enhanced the Group's governance level





## Sticking to bottom-line thinking to forestall and mitigate financial risks

### Credit risk

- ◆ Made credit policies more forward-looking and differentiated, and guided the **continuous upgrading of credit structure**
- ◆ Focused on key areas and strengthened **potential risk control**
- ◆ Stepped up efforts in **collection and mitigation of NPAs**
- ◆ Optimized credit management mechanism
- ◆ Built an **intelligent risk control** system

### Market risk

- ◆ Strengthened the management of bond investment risk, and regularly **investigated the risk of unsecured bonds**
- ◆ Made timely adjustments to the assets & liabilities structure and pricing strategies based on changes in the market, **kept interest rate risk controlled at a moderate level**
- ◆ Sought to achieve currency matching between fund source and application and managed exchange rate risk through timely settlement and hedging, thus **controlling net foreign exchange exposure at a relatively low level**

### Liquidity risk

- ◆ Daily average liquidity coverage ratio (**LCR**) in Q2: **137.95%**
- ◆ Net stable funding ratio (**NSFR**): **126.81%**
- ◆ Liquidity ratio (**LR**): **54.82%**
- ◆ Quota management
- ◆ Risk warning
- ◆ Stress test

### Internal control and operational risk

- ◆ Continuously improved compliance risk governance mechanism and management process
- ◆ Raised employees' compliance awareness, and fostered the culture of internal control compliance
- ◆ Strengthened the building of AML system and pushed forward the system and model development
- ◆ Supported the Group's **sound development and sustainable operation**

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**Key Tasks for Next Stage**



# Actively responding to the new situations and trends

## Internal and external market environment



### Challenges



### Opportunities

### Three trends banking industry needs to focus on

- ◆ The drivers of global economic growth are weakening, and economic and trade frictions are rising one after another
- ◆ Downward pressure on China's economy continues to increase, and external environment remains complex and fast-changing
- ◆ Financial markets become more volatile with instability factors increasing

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- ◆ Globalization and multilateralism are irreversible trends of the times
- ◆ China's economy, with sustained resilience, continues to achieve stable growth while making further progress
- ◆ China pursues a proactive fiscal policy with greater intensity and effectiveness, and keeps prudent monetary policy "neither too tight nor too loose"
- ◆ The acceleration of financial opening-up creates new opportunities for business development

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- ◆ IT application will push the transformation of banking operation model
- ◆ Economic transformation and upgrading will bring about structural impacts
- ◆ The advancing of financial supply-side structural reform will exert a profound impact on the financial industry



# Key tasks for next stage

**Stimulate vitality, make agile reaction, achieve key breakthroughs**  
**Accelerate building a world-class bank in the new era**

<b>Stimulate a new vitality across the whole Bank</b>	<b>Foster new momentum for strategy implementation</b>	<b>Strive for new breakthroughs in key areas</b>	<b>Improve risk control capability</b>
<ul style="list-style-type: none"> <li>◆ Improve the Group's organizational structure</li> <li>◆ Strengthen the building of official and talent teams</li> <li>◆ Improve the assessment and incentive mechanism</li> </ul>	<ul style="list-style-type: none"> <li>◆ Deepen technological innovation and accelerate digitalization</li> <li>◆ Take the overall situation into account and tap business potential in strategic areas</li> <li>◆ Accelerate scenario building and create new growth points for businesses</li> </ul>	<ul style="list-style-type: none"> <li>◆ Strive for breakthroughs in key businesses</li> <li>◆ Strive for breakthroughs in key areas</li> <li>◆ Strive for breakthroughs in integrated operation</li> </ul>	<ul style="list-style-type: none"> <li>◆ Accelerate the reform of credit management system</li> <li>◆ Intensify collection and mitigation of NPAs</li> <li>◆ Strengthen compliance management</li> </ul>

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

# Q & A

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# Financial Highlights

## Profit & Loss Summary

(RMB million)	1H2019	1H2018	Change
Net interest income	181,684	172,451	5.35%
Non-interest income	95,004	79,031	20.21%
Net fee and commission income	50,564	48,188	4.93%
Operating income	276,688	251,482	10.02%
Operating expenses	-91,130	-82,132	10.96%
Pre-provision operating profit	185,558	169,350	9.57%
Impairment losses on assets	-33,670	-28,270	19.10%
Operating profit	151,888	141,080	7.66%
Profit before income tax	152,558	141,961	7.46%
Profit after-tax	121,442	115,575	5.08%
Profit attributable to equity holders of the Bank	114,048	109,088	4.55%
EPS (basic, RMB)	0.38	0.37	4.61%
<b>Key financial ratios(%)</b>			
ROA	1.12	1.16	-4bps
ROE	14.56	15.29	-73bps
Net interest margin	1.83	1.88	-5bps
Non-interest income to operating income	34.34	31.43	2.91ppts
Cost to income ratio <sup>1</sup>	24.63	25.78	-1.15ppts
Credit cost	0.59	0.57	2bps

## Balance Sheet Summary

(RMB million)	2019.6.30	2018.12.31	Change
Total assets	22,266,024	21,267,275	4.70%
Loans, gross	12,569,734	11,819,272	6.35%
Investments	5,361,318	5,054,551	6.07%
Total liabilities	20,358,572	19,541,878	4.18%
Due to customers	15,644,634	14,883,596	5.11%
Capital and reserves attributable to equity holders of the Bank	1,790,418	1,612,980	11.00%
Net asset per share (RMB)	5.36	5.14	4.26%
<b>Key financial ratios(%)</b>			
Common equity tier 1 CAR <sup>2</sup>	11.21	11.41	-20bps
Tier 1 CAR <sup>2</sup>	12.85	12.27	58bps
CAR <sup>2</sup>	15.33	14.97	36bps
NPL ratio	1.40	1.42	-2bps
Special-mention loan ratio	2.73	2.90	-17bps
Overdue loan ratio	1.42	1.87	-45bps
NPL coverage ratio	177.52	181.97	-4.45ppts

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.