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# Serving Society, Delivering Excellence

2013 Annual Results  
March 26, 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. Zhu Shumin, Executive Vice President**



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

# To be an excellent bank

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## To be an excellent bank with pursuit of noble values

- ◆ A bank that shoulders significant responsibility for the nation's revival
- ◆ A bank that possesses competitive edges in the globalisation process
- ◆ A bank that leads lifestyle changes in technological innovations
- ◆ A bank that earns customer loyalty in market competition
- ◆ A bank that meets the expectations of shareholders, employees and society in the course of its sustained development

Business  
Development  
as Focus

Risk  
Management  
as Foundation

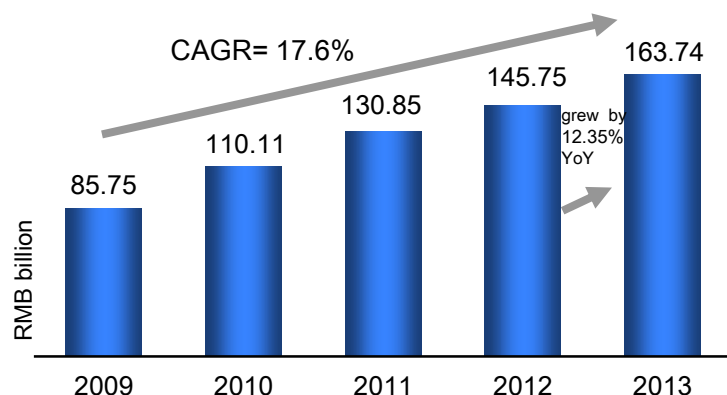
Reform &  
Innovation  
as Impetus

Team  
Building  
as Essential

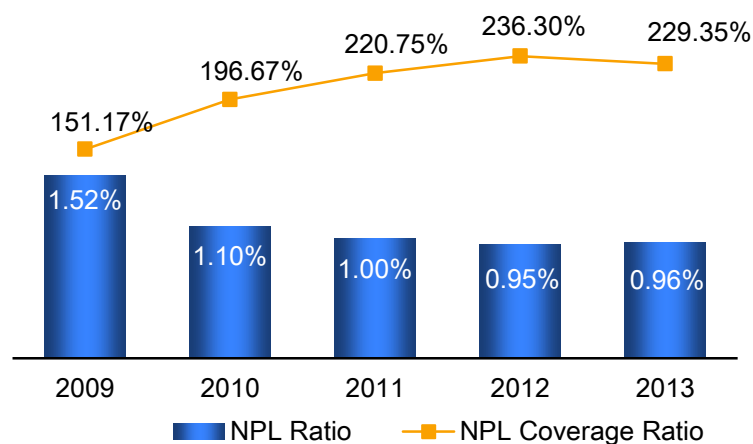


# Achieve Sustainable and Solid Progress toward Strategic Goal

## After-tax profit grew 12.35%



## Stable asset quality



### Shoulder social responsibility and serve real economy

- ◆ Support the industries of strategic significance and traditional industries undergoing transformation and upgrading
- ◆ Provide credit support to SMEs, industries related to agriculture, farmers and rural areas as well as people's wellbeing-related projects
- ◆ Support Chinese enterprises "going global", and completed 98 M&A projects with contract amount of USD36.2 billion, including acquisition projects of WH Group Limited and CNOOC

### Grasp opportunity of RMB internationalisation to consolidate competitive edges

- ◆ Maintain leading position of international settlement and clearing businesses
- ◆ RMB internationalisation businesses lead market and RMB global clearing network has basically established
- ◆ Expand global service network with increased contribution from overseas business and diversified platform

### Follow technology innovation to promote E-finance Bank Construction

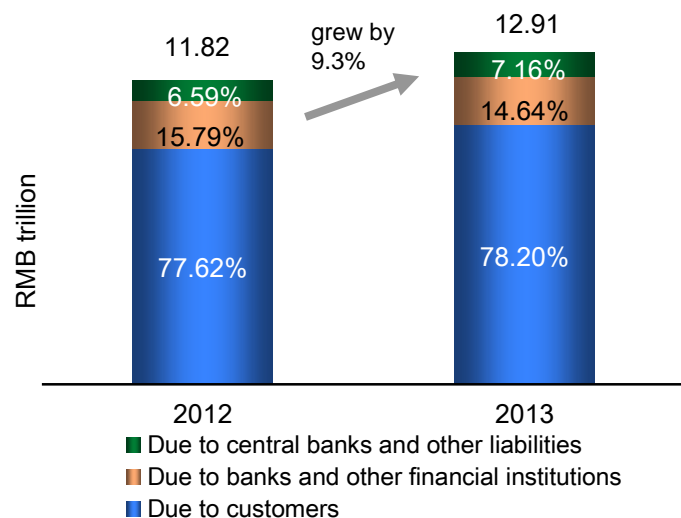
- ◆ Integrate traditional financial business and modern technologies to promote the E-finance bank construction
- ◆ Expand e-banking customer base with increased transaction volume
- ◆ Successfully launched the Open Platform and other innovative products such as "Micro Bank" and "Easy Pay"

### Promote corporate governance with increased market recognition

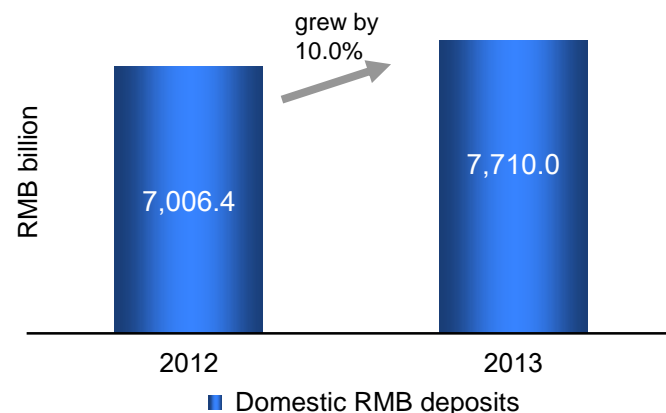
- ◆ Maintain high cash dividend payout ratio with DPS keeping increased
- ◆ Continuously awarded Top 10 Best Employers in China
- ◆ Been listed in the *Fortune* global 500 for 25 consecutive years and ranked 9<sup>th</sup> in the *Banker* top 1,000 world banks in 2013

# Optimise Deposits Structure and Reduce Funding Cost

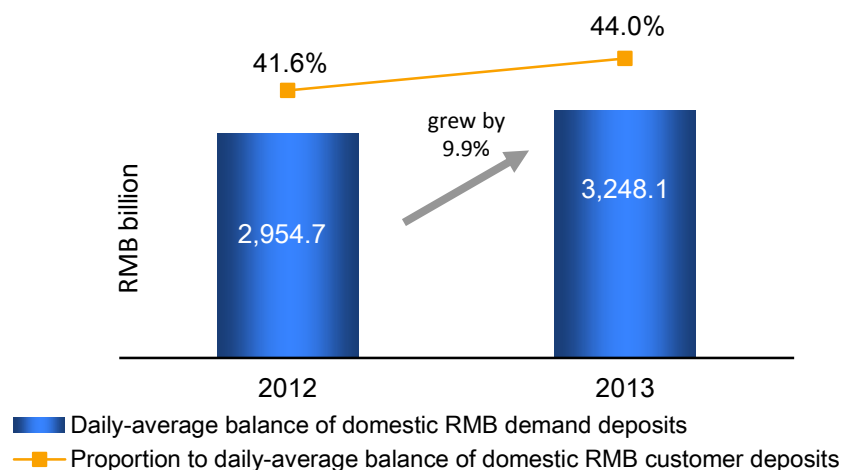
## Increased proportion of customer deposits



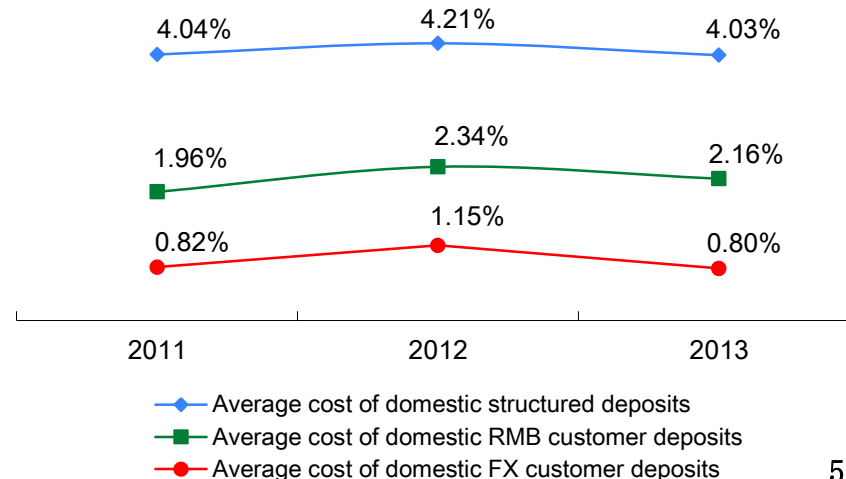
## Steady Growth of domestic RMB deposits



## Rapid growth of RMB demand deposits

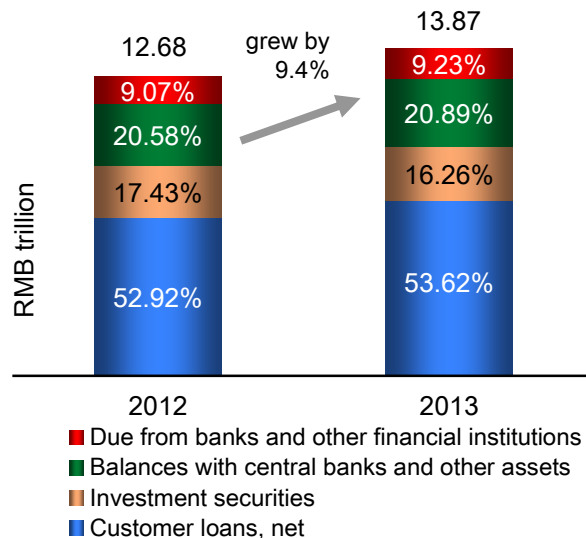


## Reduced funding cost

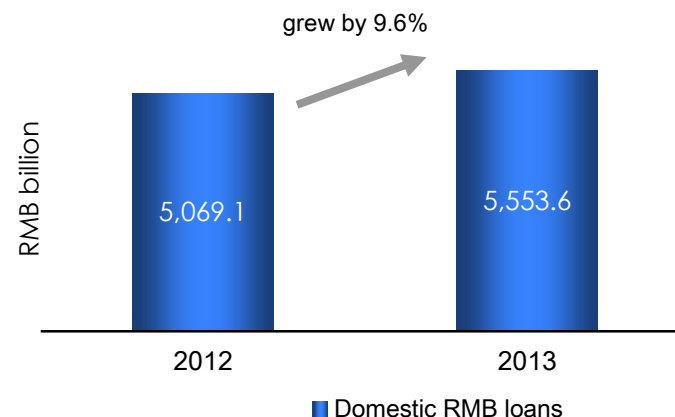


# Improve Asset Mix with Modest Loan Growth

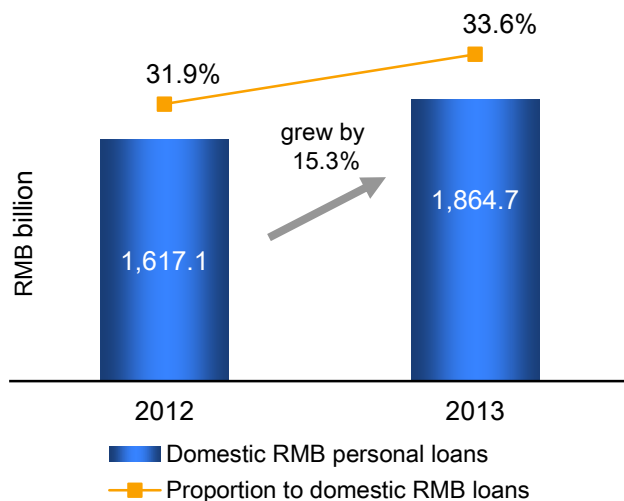
## Optimised asset structure



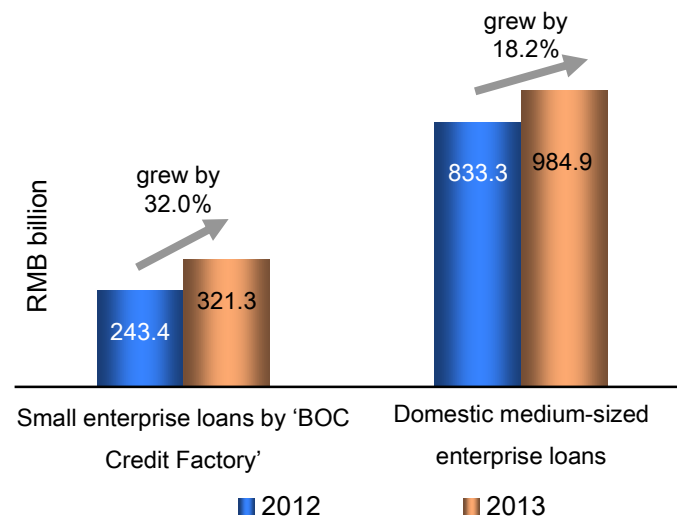
## Steady growth of domestic RMB loans



## Higher growth rate of personal loans

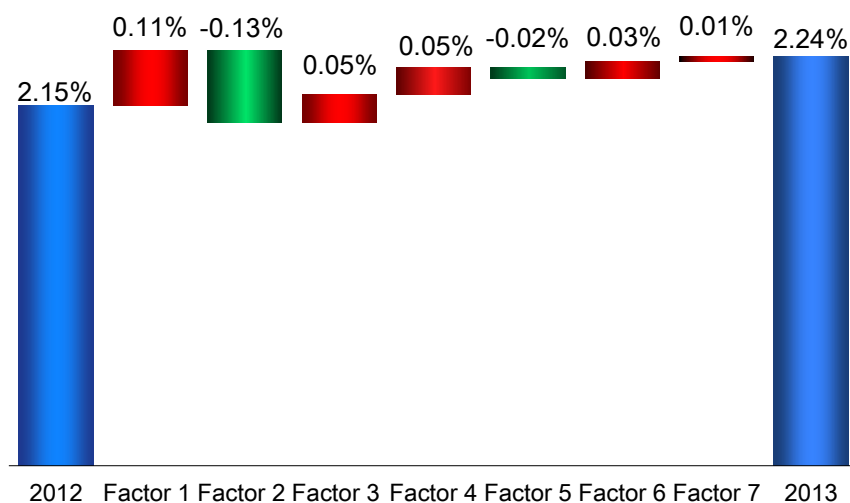


## Rapid growth of SME loans



# Improve Net Interest Margin

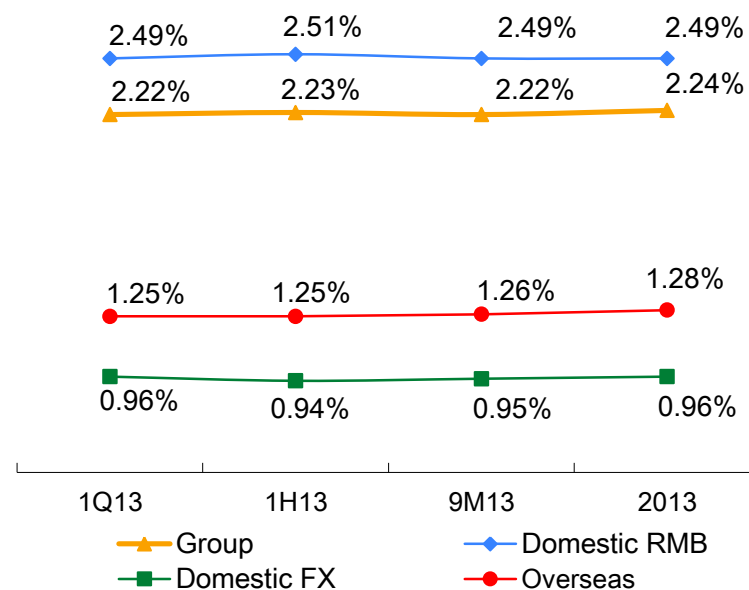
## NIM increased by 9 basis points



### 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

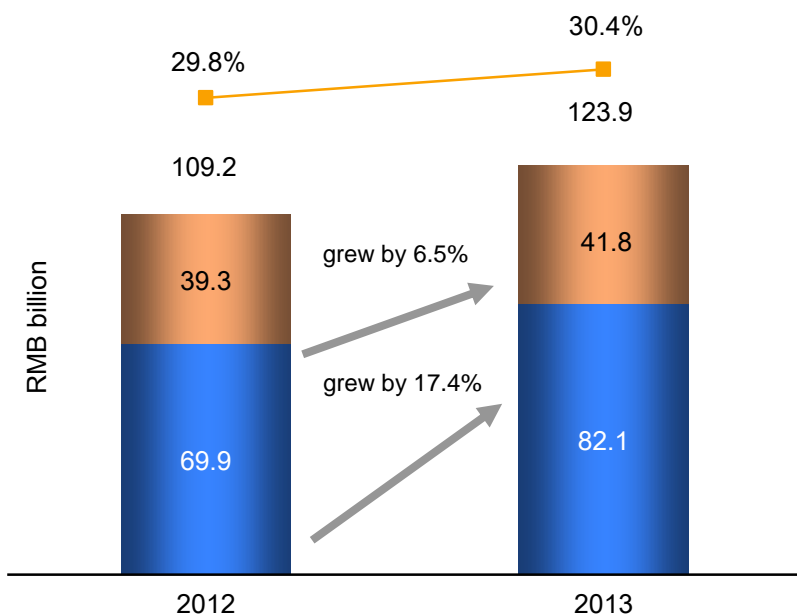
## Domestic RMB and overseas NIM expanded



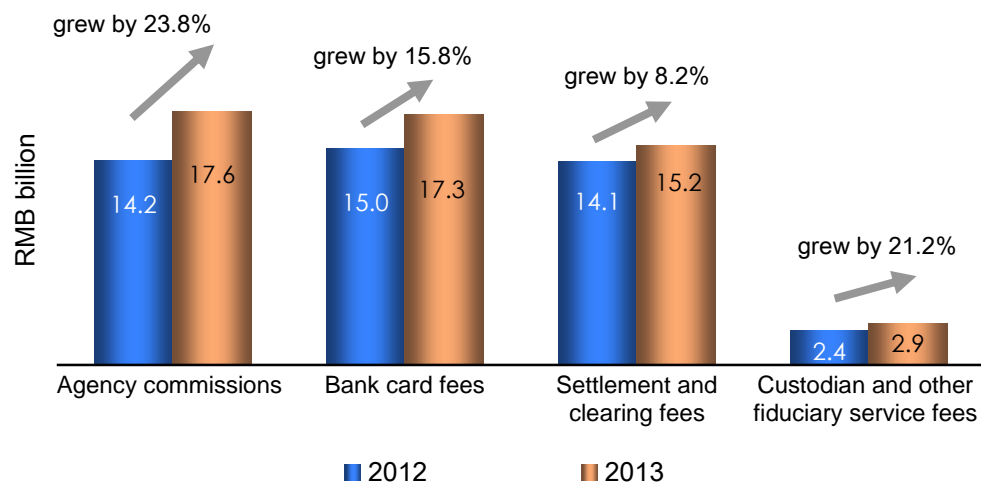
# Increase Proportion of Non-interest Income

Non-interest income ratio reached 30.4%

Net fee and commission income grew 17.4%

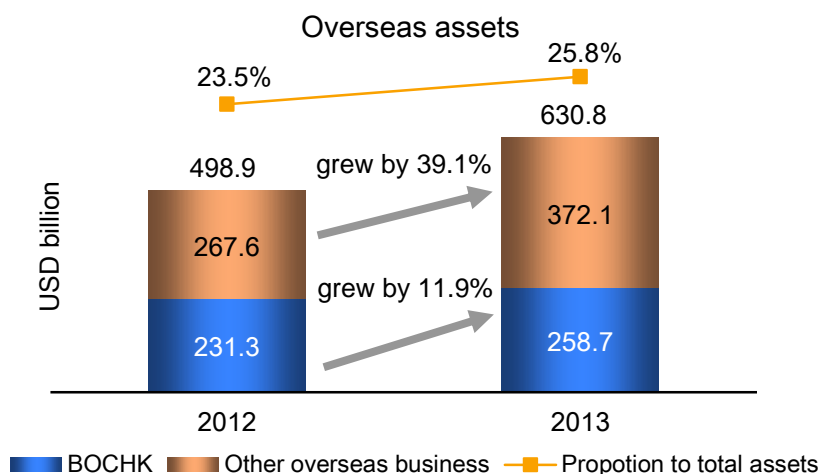


- Other non-interest income
- Net fee and commission income
- Proportion of non-interest income to total operating income

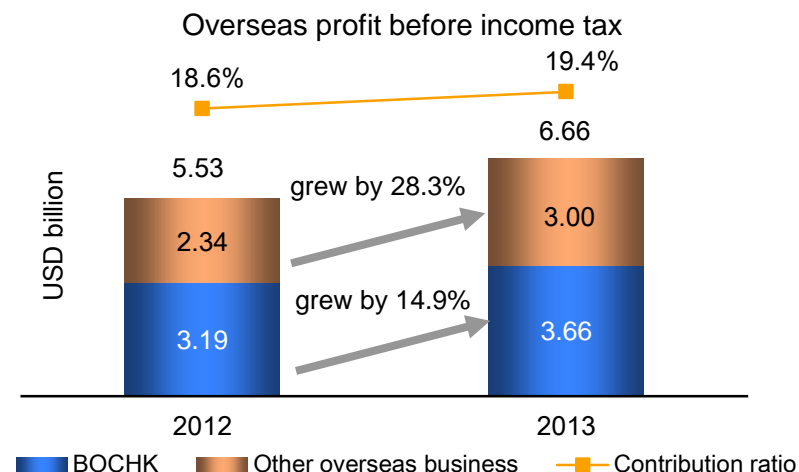


# Overseas Business Leads the Market

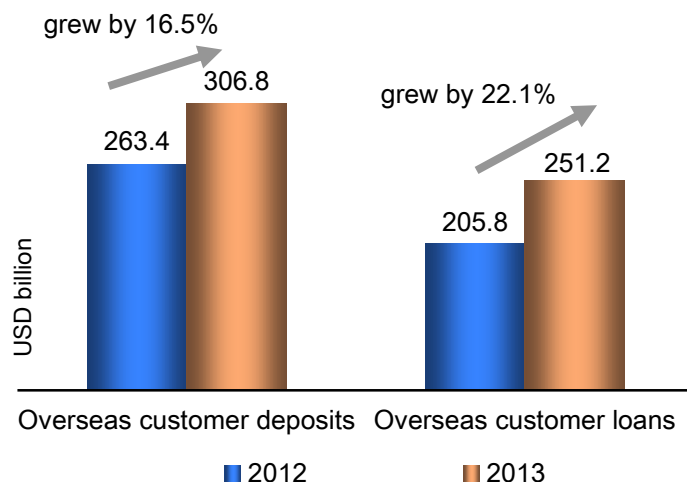
## Rapid growth of overseas assets



## Improved overseas profitability



## Rapid growth of overseas loans and deposits

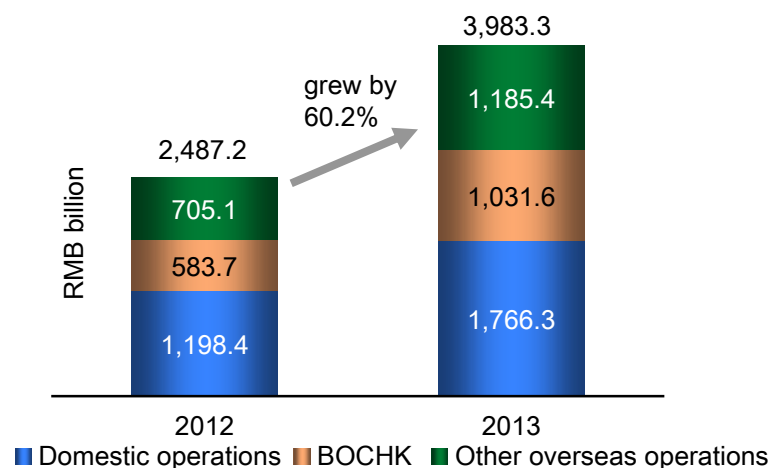


## Accelerated development of overseas business

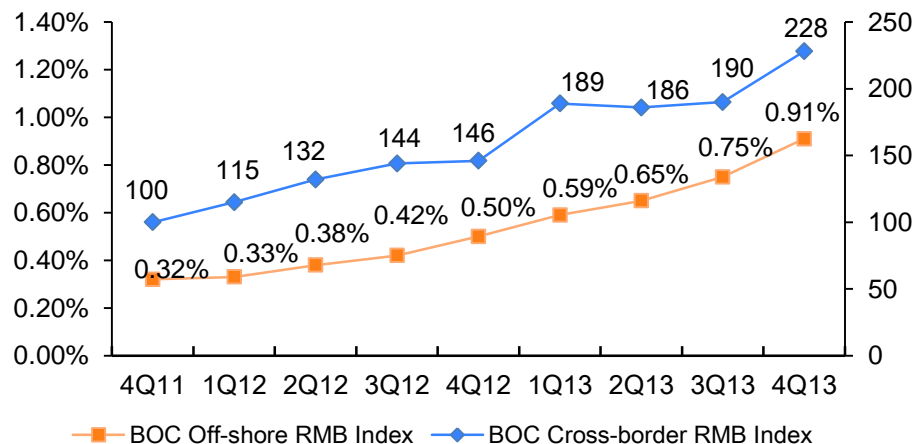
- Global service network further expanded.** In 2013, the Bank established 11 overseas institutions in Portugal, Mongolia, Macau, Malaysia, Indonesia, Germany, Italy, Russia and Canada with a total of 620 overseas institutions in Hong Kong, Macau, Taiwan and 37 countries
- Unparalleled traditional edges of international settlement business.** The transaction volume of the international settlement business reached USD3.42 trillion, an increase of 23.02% over the prior year. The Bank kept leading the factoring and guarantee market, and achieved historic breakthroughs in forfaiting business and supply chain finance
- Lead syndicated loan market.** In 2013, as leading bank, the Bank conducted syndicated loans of USD 31.9 billion, ranking first in Asia Pacific region. BOCHK maintained the top mandated arranger in the Hong Kong–Macau syndicated loan market

# Leader of RMB internationalisation Businesses

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



## First publish RMB internationalisation related indices



## Establish RMB global clearing network

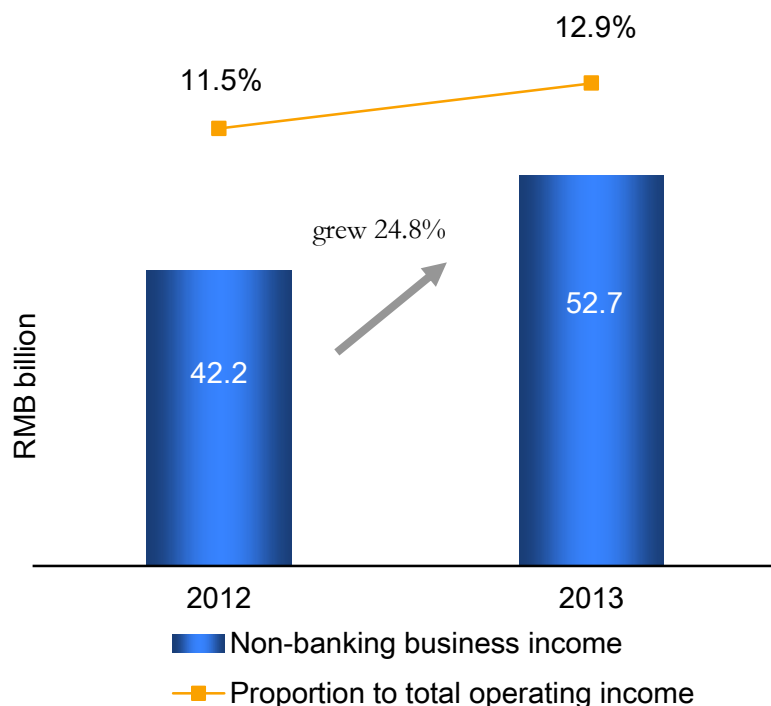
- ◆ Improved globally integrated overseas and cross-border RMB clearing system dual headquartered in Hong Kong and Shanghai
- ◆ Main RMB clearing channel in Hong Kong, Macau and Taiwan
- ◆ The RMB primary clearing bank of Malaysia, Luxembourg, Cambodia, Philippines and other countries, serving as RMB market maker in Russia
- ◆ The only clearing bank in RMB clearing system of Australia. Hungary government support the Bank to its RMB clearing bank
- ◆ The main RMB clearing channel in countries such as UK, Germany, France, Japan, South Korea, Indonesia and South Africa
- ◆ Opened 209 new RMB clearing accounts of overseas participating bank

## Innovate financial products to improve customer service

- ◆ Conducted the first two-way cross-border RMB cash pooling service, launched pilot business of the third party cross-border RMB payment service and conducted the first cross-border RMB loan for main body construction in Shanghai free trade zone
- ◆ Provided cross-border RMB financing solution for Hong Kong-Zhuhai-Macao Bridge, the first bank to conduct cross-border RMB trading settlement under Spot Commodity Exchange. Market share of RQFII custody services ranked first among Chinese peers
- ◆ Successfully issued first series of RMB Formosa bonds. RMB2.5 billion debts of London branch was successfully listed in London Stock Exchange, breaking the record amount of single RMB debts issuance in London, which became the first RMB debts of Chinese bank listed in London Stock Exchange

# Enhance Profitability of Non-Banking Business

## Fast growth of non-banking business income



- ◆ **BOCI** maintained the leading position in the equity underwriting markets, ranking the 1<sup>st</sup> in Hong Kong IPO market in terms of both number of deal and market share. The bond underwriting business had another record year in 2013, ranking the 1<sup>st</sup> in the Hong Kong Chinese investment grade bond underwriting market
- ◆ **BOCIM's** AUM for public-offered funds reached RMB121.7 billion, up 22% from the prior year-end, ranking the 6<sup>th</sup> in the market and the 1<sup>st</sup> in the funds affiliated to bank
- ◆ **BOCG Insurance** continued to improve its underwriting efficiency, consistently stands at the forefront of Hong Kong property insurance market. BOCG Life maintained its leading position in the Hong Kong RMB life insurance market
- ◆ **BOC Insurance** recorded fast operating income growth, its bancassurance achieved remarkable profit
- ◆ **BOCG Investment** strengthened its commercial and strategic investment, promoted group's integrated development, diversified its funding sources and successfully issued a USD600 million senior note
- ◆ **BOC Aviation** possesses total assets of more than US\$10 billion. Since being acquired by Bank of China in December 2006, BOC Aviation has more than tripled its total assets. It issued RMB1.5 billion bonds and became the first global aircraft lessor to tap the RMB capital markets

# Improve Comprehensive Global Service Capability

## Supported CNOOC to take over NEXEN Energy UCL

- ◆ As a leading bank, participated in China National Offshore Oil Corporation acquisition project which amounted to USD15.1 billion
- ◆ The largest overseas M&A project in terms of amount

## Assisted Chinese enterprises to issue commercial paper in US

- ◆ As exclusive underwriter, assisted China International Marine Containers and China Shipping to issue USD600 million and USD400 million commercial paper in US
- ◆ Recorded the highest amount of commercial paper issuance by Chinese enterprises and highest amount of issuance by SOE, warmly welcomed by the market

## Supported WH Group's acquisition of Smithfield

- ◆ Played key roles in WH Group's USD7.1 billion acquisition of Smithfield Foods, including M&A consultant, commitment letter issuer and syndicated loan leader, etc.
- ◆ The largest Chinese M&A case in US, breaking the record of overseas M&A deal by Chinese private enterprises and the largest M&A in animal husbandry history

## Supported Chinese enterprises to conduct M&A business in Europe

- ◆ As the exclusive M&A lender, supported Power Construction Corporation of China to take over TLT-Turbo Ltd, the wholly owned subsidiary of Siemens
- ◆ Provide comprehensive financial services including account opening, cash management system construction, fund custody, settlement in Wuhan Iron and Steel Group's acquisition of Thyssenkrupp welding group

## Supported overseas enterprises to issue Panda Bonds

- ◆ As the exclusive underwriter, supported Daimler AG issuing RMB500 million bonds successfully
- ◆ The first RMB-denominated bonds issued by overseas non-financial enterprises in Chinese interbank bond market

## Support Chinese enterprises to issue bonds in Hong Kong

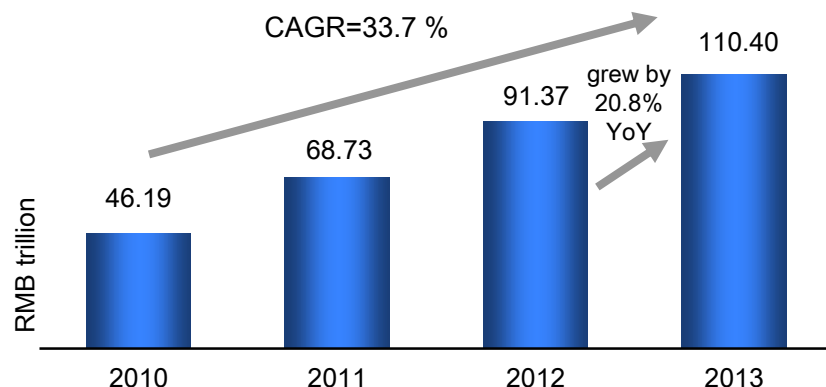
- ◆ As the lead underwriter, supported CITIC Securities, China Huaneng, Haitong International Securities, China State Shipbuilding, and Baoshan Iron & Steel to issue bonds in Hong Kong
- ◆ Supported China National Offshore Oil, China COSCO, Bank of Communication to issue bonds in Hong Kong

## Sponsored China Molybdenum's acquisition of the copper & gold project of Rio Tinto Group

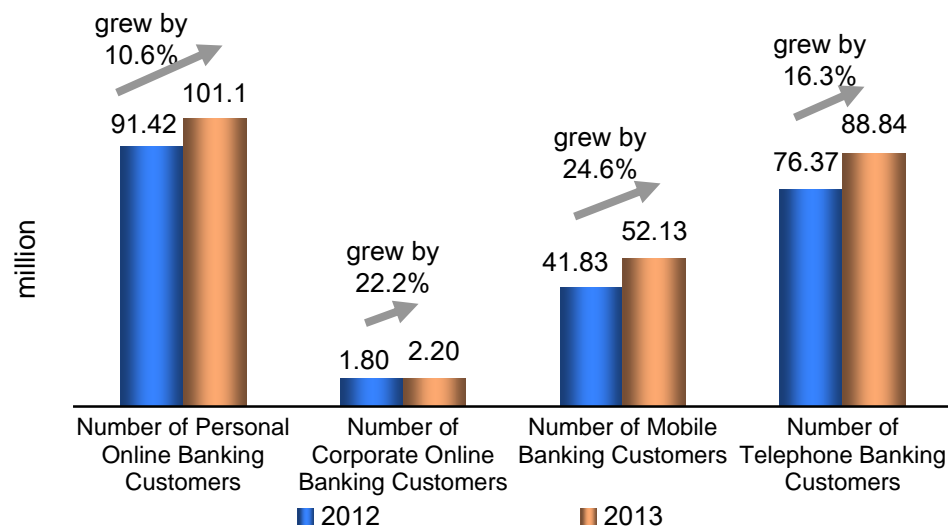
- ◆ Provided comprehensive financial services including consulting, commitment letter, letter of guarantee
- ◆ Broke the record amount of single M&A project in Australian mining sector in 2013

# Achieve New Progress in Infrastructure Construction

## Fast growth of e-banking transaction volume



## Enlarged e-banking customer base



## Enhanced service quality and capability

- ◆ **Promoted outlets transformation.** Established 10,682 domestic commercial banking outlets with nearly 2,000 middle to large-sized fully functional outlets
- ◆ **Increased self-service facilities.** 40,600 ATMs, 23,300 self-service terminals, and 12,800 self-service banks in operation in Chinese mainland, increasing 3.8%, 11.5% and 8.5% respectively compared with the previous year
- ◆ **Improved e-banking services.** Through innovating and enriching the function of self-service facilities and reconstructing its IT architecture of online banking system, the Bank strengthened the cross-channel interoperability between online banking and physical outlets, with improved customer service experience
- ◆ **Pushed forward IT construction.** Steadily advanced the integration and transformation of overseas information systems. 12 branches in the Asia-Pacific region launched new systems during the year, further enhancing its globally integrated IT service capacity
- ◆ **Improved operational and service capability.** Accelerated the construction of global unified payment and customer service platforms to optimise the function of the system

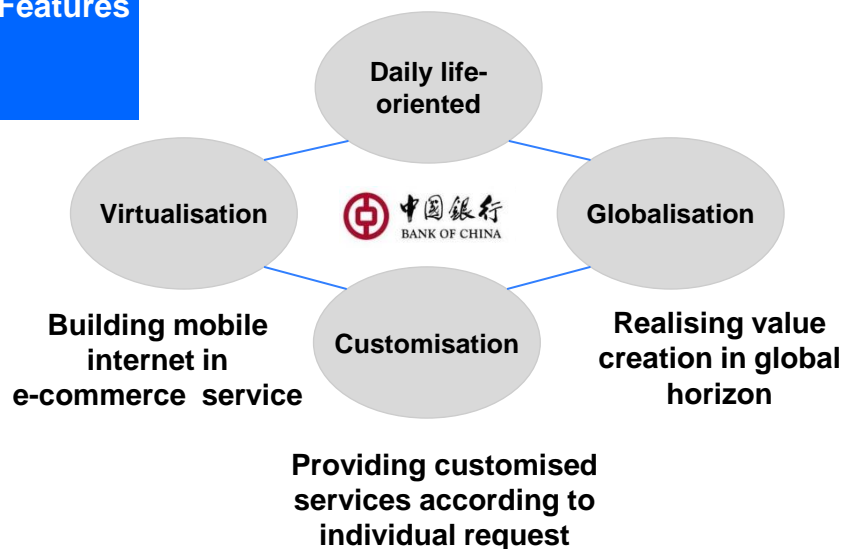
# Promote E-finance Bank Construction

## Goal

Conforming to the technology trend of the internet economy and mobile internet, the Bank will reconstruct the business processes and commercial models, and build the first-choice E-finance bank that leads the lifestyle of customers, striving to gain competitive edges and leading position among major domestic peers. E-finance Bank Construction is focus on building the features of daily life-oriented, virtualisation, customisation and globalisation.

## Features

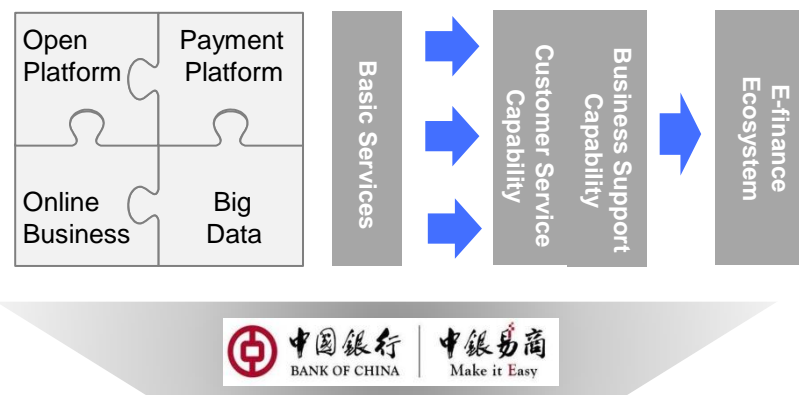
Leading lifestyle changes in technological innovations



## Development Plans

Platform → Data Pool → Ecosystem → Transformation

Based on “Make it Easy” platform, the Bank concentrates on improving client services and business support, to establish an internet finance ecosystem that facilitates self-development and customer growth



## Innovate Products and Services

Successfully built BOC Open Platform

Launched “Micro Bank” and “Easy Pay” Application

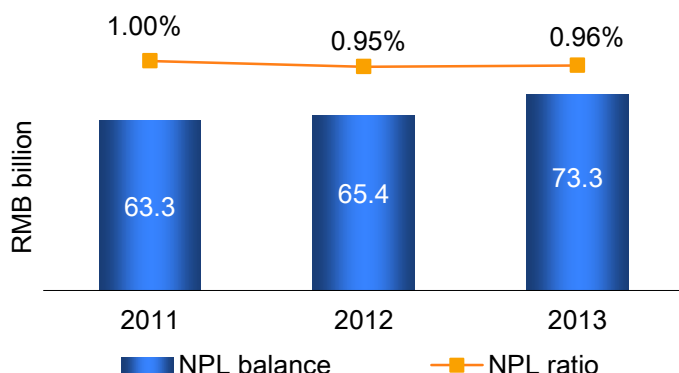
Piloted the first “Future Bank” flagship branch

Launch “BOC Online Tongbao” to serve SMEs

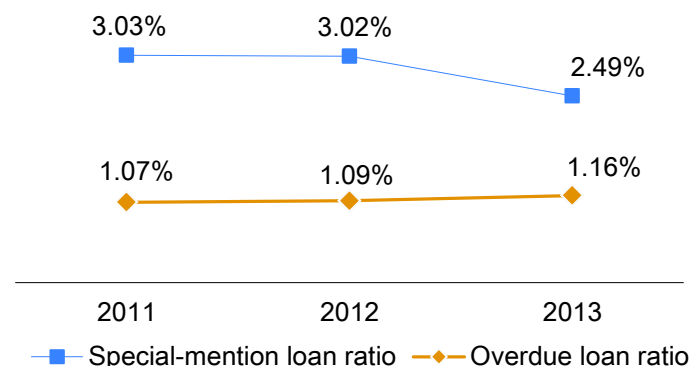
Launch “BOC E-Community”

# Improve Comprehensive Risk Management

## NPL ratio kept at a low level



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



## 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	353.5	0.32%	4.01%
Loans to sectors with overcapacity *	188.5	0.75%	2.74%
Loans to real estate sector	311.5	0.32%	4.92%

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

## Sound liquidity situation

Major regulatory ratios (%)		Regulatory standard	2013	2012
Liquidity ratio	RMB	≥25	48.0	49.8
	FX	≥25	62.2	65.2
LDR	RMB & FX	≤75	72.52	71.99
Inter-bank ratio	Inter-bank borrowings ratio	≤8	0.2	1.6
	Inter-bank loans ratio	≤8	2.3	2.6

## Macro Outlook

- ◆ The global economy is expected to experience substantial recovery in 2014
- ◆ China's economy is expected to perform stably in 2014, with GDP growth of about 7.6%
- ◆ Inflation pressure will still exist, and the CPI is expected to increase about 3%. The exports and imports are expected to grow by about 8%
- ◆ In 2014, total social financing will grow steadily with total amount to RMB19-20 trillion
- ◆ M2 growth rate will remain stable at about 13.5%.
- ◆ Financial reform will deepen with overall risk under control

## Strategic Opportunity

- ◆ **RMB globalisation.** As the most internationalised bank in China, it has extensive overseas network, leading diversified business platform, talent pool with international experience and customer base
- ◆ **Interest rate liberalisation.** The proportion of the Bank's assets and liabilities with market-based price is higher than major peers. Non-interest income ratio continued to lead peers with solid market-based operational experience
- ◆ **Mobile internet.** The Bank has modest scale of physical outlets, leading information technique, which lays solid foundation for E-finance Bank development

## Key Tasks

- ◆ **Focus on the market - expand the advantages to win the competition.** The Bank will enhance the competitiveness in financial markets, overseas and RMB internationalisation businesses, and improve the comprehensive operation capabilities
- ◆ **Focus on efficiency - optimise the structure to improve output.** The Bank will improve the return on capital and accelerate the optimisation of asset liability and income structure
- ◆ **Focus on quality – implement delicacy management and control the risks.** The Bank will strengthen comprehensive risk management including credit risk, market risk and liquidity risk, enhance internal control and establish a positive risk management concept
- ◆ **Focus on services – secure footholds at the basic level and enhance the channels.** The Bank will accelerate the reconstruction of service processes, push forward the channel and E-finance bank construction to improve operational and service capability

# Q&A

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# Financial Highlights

## Profit & Loss Summary

(RMB million)	2013	2012	Change
Net interest income	283,585	256,964	10.36%
Non-interest income	123,924	109,212	13.47%
- Net fee and commission income	82,092	69,923	17.40%
<b>Operating income</b>	<b>407,509</b>	<b>366,176</b>	<b>11.29%</b>
Operating expenses	(172,314)	(159,729)	7.88%
Impairment losses on assets	(23,510)	(19,387)	21.27%
<b>Operating profit</b>	<b>211,685</b>	<b>187,060</b>	<b>13.16%</b>
Profit before income tax	212,777	187,673	13.38%
Income tax expense	(49,036)	(41,927)	16.96%
<b>Profit for the period</b>	<b>163,741</b>	<b>145,746</b>	<b>12.35%</b>
<b>Profit attributable to equity holders of the Bank</b>	<b>156,911</b>	<b>139,656</b>	<b>12.36%</b>
EPS (basic, RMB)	0.56	0.50	12.34%
<b>Key financial ratios (%)</b>			
Return on average total assets	1.23	1.19	4Bps
Return on average equity	18.04	18.13	-9Bps
Net interest margin	2.24	2.15	9Bps
Cost to income (calculated under domestic regulations)	30.61	31.73	-112Bps
Credit cost	0.32	0.29	3Bps

## Balance Sheet Summary

(RMB million)	2013	2012	Change
<b>Total assets</b>	<b>13,874,299</b>	<b>12,680,615</b>	<b>9.41%</b>
Loans and advances	7,607,791	6,864,696	10.82%
Investment securities	2,256,470	2,210,524	2.08%
<b>Total liabilities</b>	<b>12,912,822</b>	<b>11,819,073</b>	<b>9.25%</b>
Due to customers	10,097,786	9,173,995	10.07%
<b>Capital and reserves attributable to equity holders of the Bank</b>	<b>923,916</b>	<b>824,677</b>	<b>12.03%</b>
<b>Key financial ratios (%)</b>			
Core tier 1 CAR	9.69	N.A.	-
Tier 1 CAR	9.70	N.A.	-
Capital adequacy ratio	12.46	N.A.	-
Non-performing loans ratio	0.96	0.95	1Bps
NPL coverage ratio	229.35	236.30	-695Bps
Domestic allowance for loan impairment losses to domestic total loans	2.62	2.62	0Bps
Loan to deposit ratio <sup>1</sup>	72.52	71.99	53Bps

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