



中國銀行
BANK OF CHINA



Delivering Growth and Excellence

Bank of China Limited
2010 Interim Results

Aug 26, 2010

Forward-looking Statement Disclaimer

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Presentation Team



Mr. Li Lihui, President



Mr. Zhou Zaiqun, Executive Vice President



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Agenda

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**Key Performance Highlights & Strategy
Implementation Update**

2

2010 Interim Results and Outlook

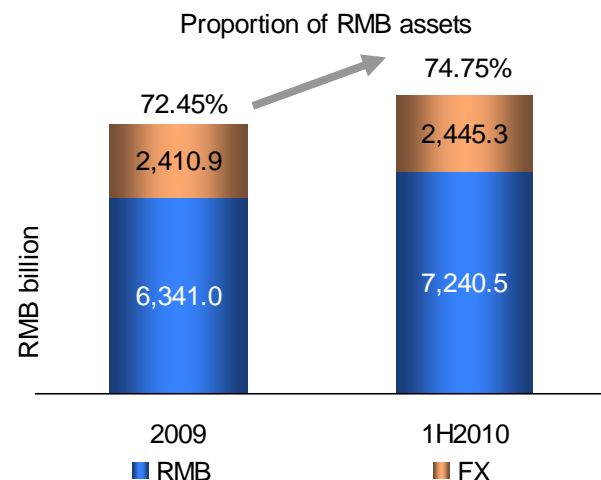
Outstanding Performance in 1H2010

	1H2010	1H2009	1H2010 vs 1H2009	
Profit after income tax (RMB million)	54,375	43,234	↑	25.8%
Profit after income tax from domestic operations (RMB million)	43,049	32,970	↑	30.6%
Return on average equity	19.79%	17.39%	↑	2.40 PPT
Return on average total assets	1.18%	1.14%	↑	0.04 PPT
Earnings per share (RMB)	0.20	0.16	↑	0.04
Cost to income ratio(calculated under domestic regulations)	29.79%	31.42%	↓	1.63 PPT

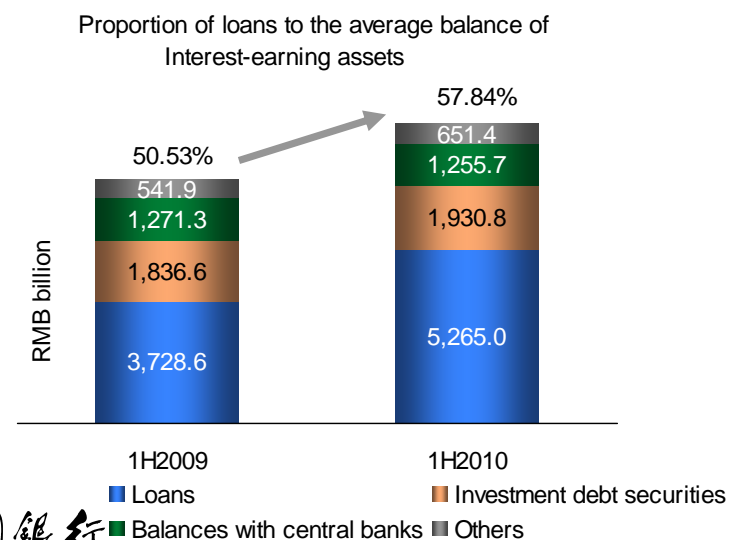
	30 Jun 2010	31 Dec 2009	1H2010 vs 2009	
Net assets per share (RMB)	2.11	2.03	↑	0.08
Non-performing loans to total loans	1.20%	1.52%	↓	0.32 PPT
Allowance for loan impairment losses to non-performing loans	188.44%	151.17%	↑	37.27 PPT
Core capital adequacy ratio	9.33%	9.07%	↑	0.26 PPT
Capital adequacy ratio	11.73%	11.14%	↑	0.59 PPT

Continuous Business Structure Optimization

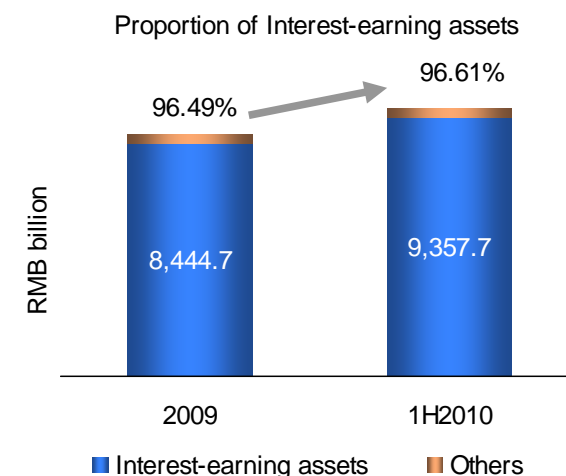
Proportion of RMB assets up by 2.30 pps



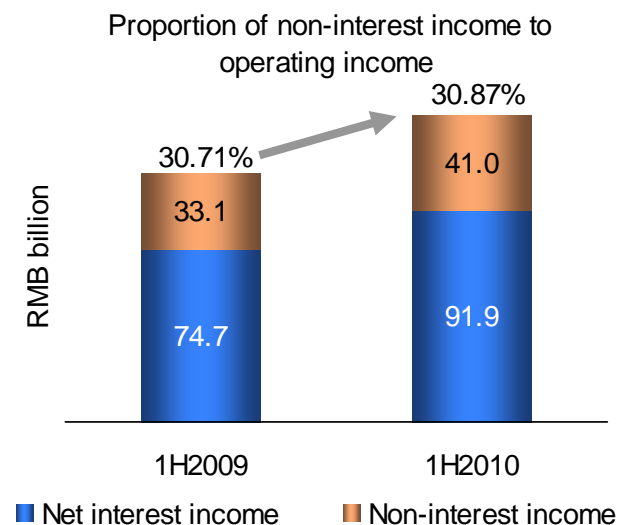
Proportion of loans to the average balance of interest-earning assets up by 7.31 pps



Proportion of interest-earning assets up by 0.12 ppt



Proportion of non-interest income up by 0.16 ppt

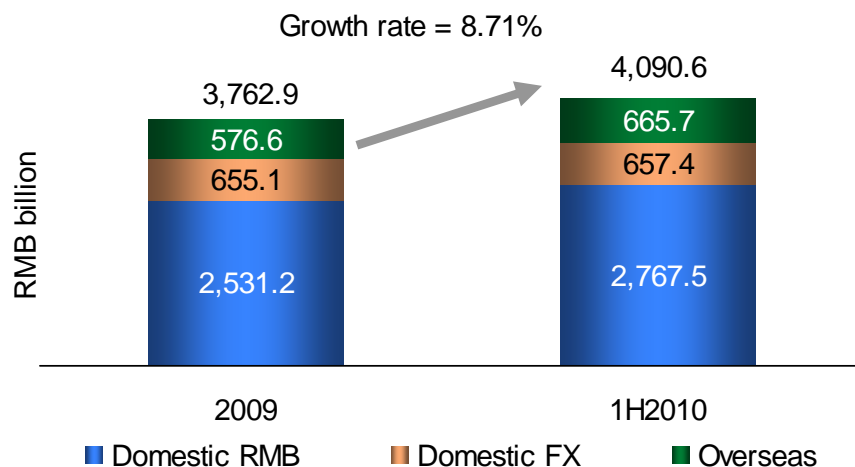


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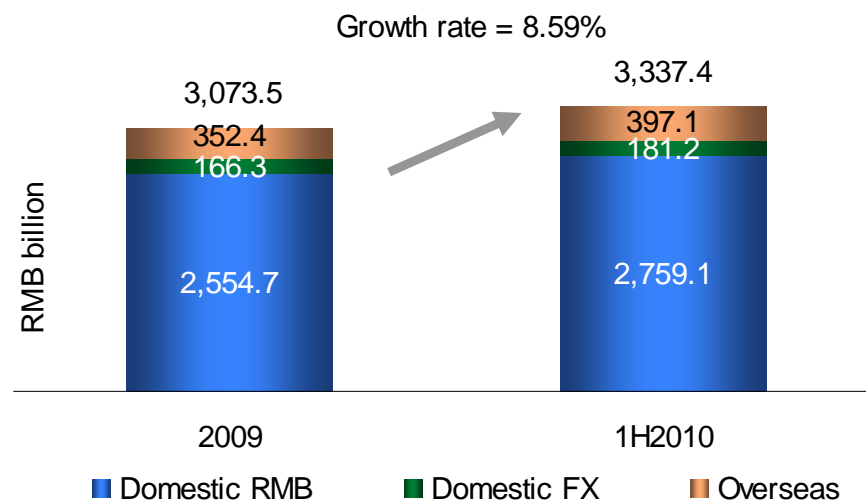


Corporate Banking – Balanced growth of deposits and loans, leading position in international business

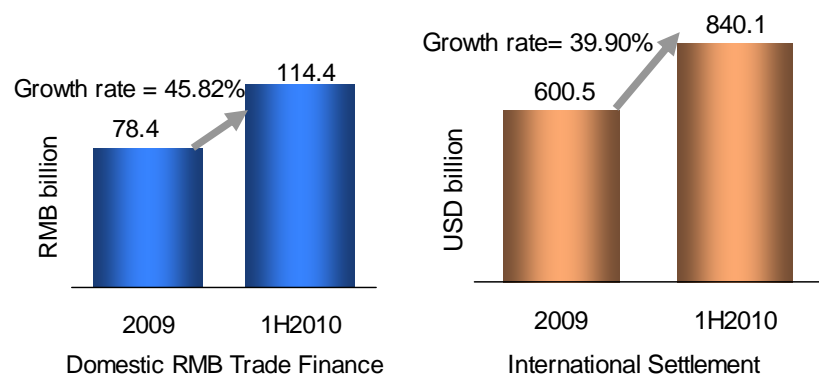
Corporate loans



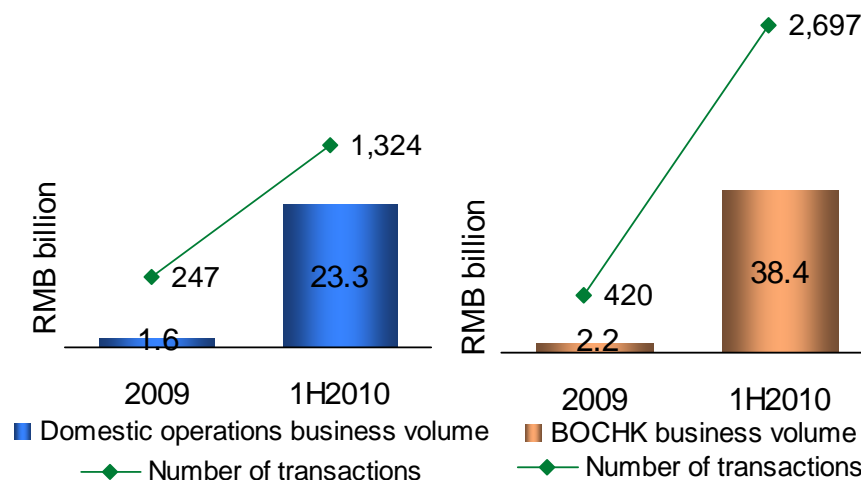
Corporate deposits



Reinforced strength in trade finance

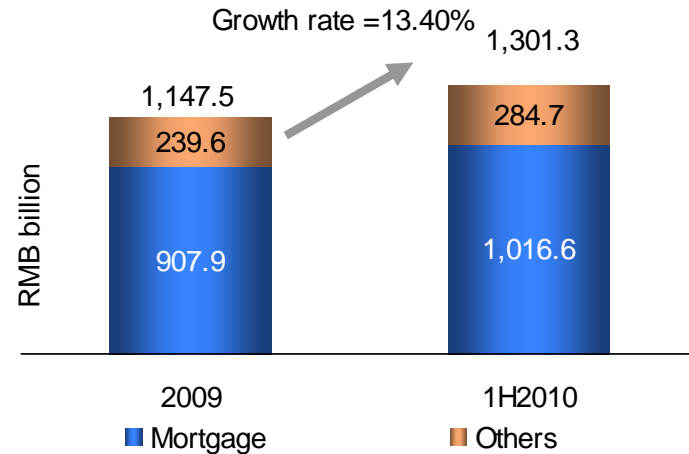


Leading position in cross-border RMB trade business

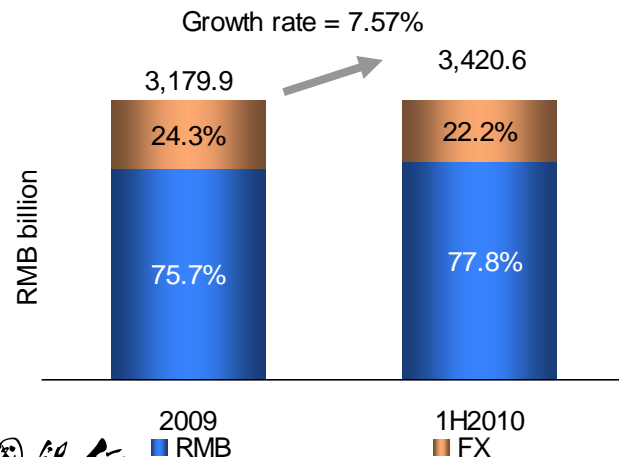


Personal Banking – Steady growth in personal loans and continuous increase of market share in bank card business

Personal loans



Personal deposits



Enhance wealth management service and expand customer base

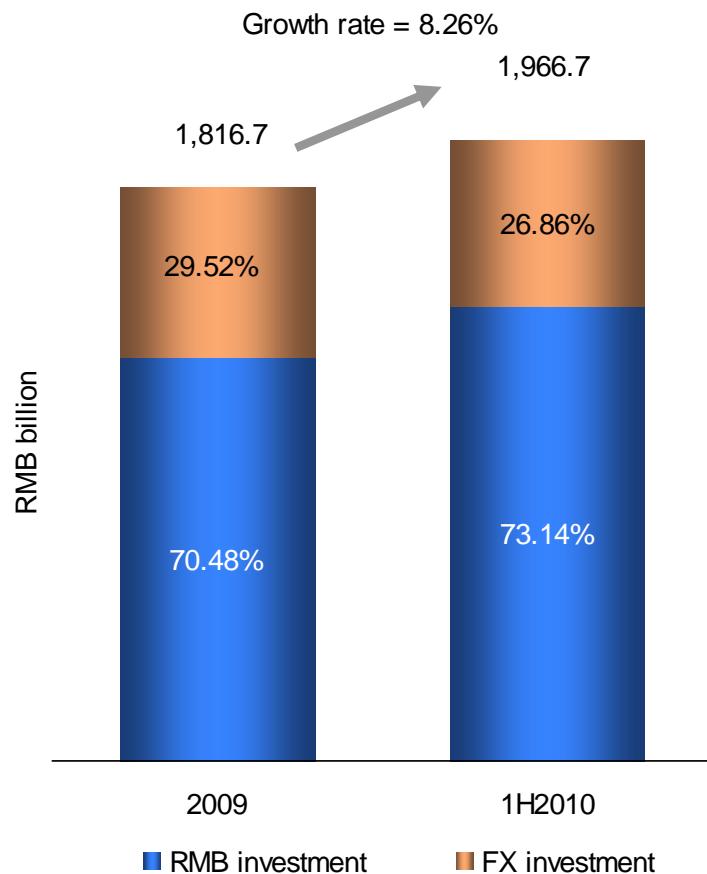
	30 June 2010	1H2010 VS 2009
Wealth management centers	1275	↑ 541
Prestigious wealth management centers	85	↑ 5
No. of middle and high-end customers	3.55 million	↑ 23%
No. of private banking customers	14 thousand	↑ 40%
Assets under management for middle and high-end customers	RMB1.9 trillion	↑ 17%

Continuous increase of market share in bank card business

	30 June 2010	1H2010 VS 2009
✓ Accumulated vol of bank card	176 million	↑ 6.7%
✓ Accumulated vol of credit card	26.08 million	↑ 20.0%
✓ Accumulated vol of debit card	150 million	↑ 10.0%
✓ Accumulated vol of overseas debit card	0.25 million	↑ 7.7%
	1H2010 VS 1H2009	
✓ Bank card consumption	RMB372.45 billion	↑ 58.6%
✓ RMB card merchant acquiring transaction volume	RMB493.36 billion	↑ 98.5%

Financial Markets – Optimize Investment Structure and Expand New Business

Investment Securities

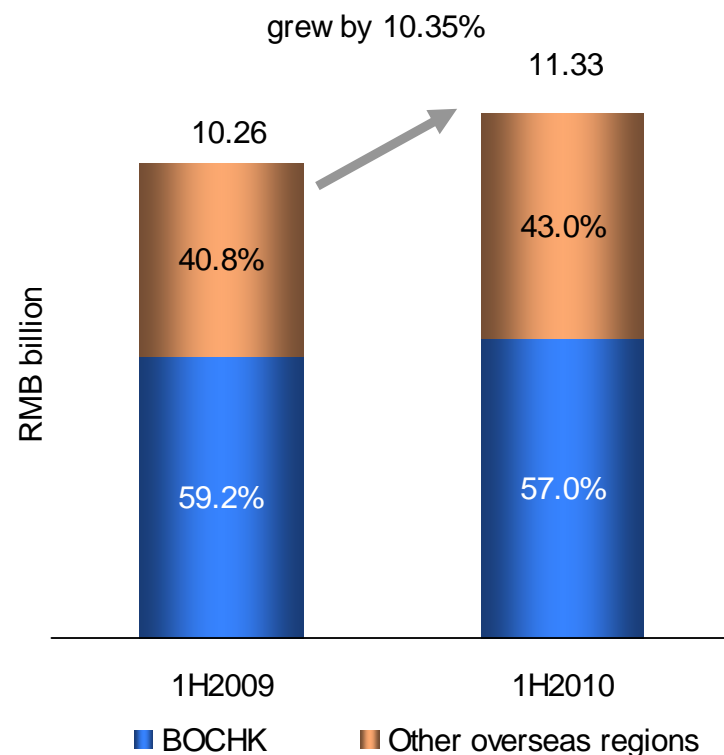


Solidify traditional strength and expand new business

- ◆ Market leader in both number of FX wealth management products and sales volume
- ◆ Sales volume of RMB wealth management products increased by 363.68% YoY
- ◆ No.1 market share of spot foreign exchange settlement and sales
- ◆ Bullion trading business increased by 26.4% YoY
- ◆ Bullion leasing and forward bullion trading business volume increased by 108.5% and 7.8% respectively YoY
- ◆ The number of custody clients and custody products reached 267 and 917, up by 18.76% and 20.03% respectively compared with the prior year-end. Total assets under custody reached approximately RMB 889.9 billion

Progress in Integrated Development of Domestic and Overseas Operations

Steady growth in profit after tax from overseas operations



Progress in integrated development of domestic & overseas operations

- ◆ Improve the Global Relationship Manager System
- ◆ Appointed as lead arranger bank for large-scale M&A projects
- ◆ Overseas cross-border RMB trade settlement business recorded robust growth
- ◆ BOCHK was appointed as the Clearing Bank of RMB cashnotes business for Taiwan
- ◆ Expanded personal financial service in overseas markets
- ◆ Continued to extend overseas network. In the first half of 2010, Brisbane Branch in Australia and three branches in Indonesia, i.e. Kelapa Gading Sub-branch, CBD Pluit Sub-branch, and The East Plaza Sub-branch were established.

Development of Diversified Business Platform



Investment Banking



- ◆ PAT amounted to RMB 754 mn
- ◆ Rolled out 9 IPOs & share placement activities. Underwriting volume ranked No.1 among Chinese investment banks in HK
- ◆ Asset Management business maintain leadership

Insurance Business



- ◆ Property insurance business recorded a gross premium income of HKD 893 million,
- ◆ BOC Insurance became a direct wholly-owned subsidiary of the Bank

Equity Investment



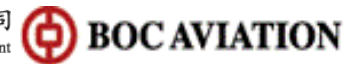
- ◆ PAT amounted to RMB 2.17 bn
- ◆ Grew by 87.21% YoY

Fund Management



- ◆ AUM amounted to RMB 31.1bn, outperformed market
- ◆ Awarded the "Annual Golden Bull Innovation Prize 2009", and is the only winner of this prize among bank fund management companies.

Aircraft Leasing



- ◆ PAT amounted to USD 76.87million
- ◆ Grew by 17.59% YoY
- ◆ Fleet was expanded to 156 aircrafts. Has one of the youngest aircraft portfolios in the world

Improve Proactive and Systematic Risk Management

Credit Risk Management

- Support industries and corporates that have a positive impact on energy saving and emissions reduction
- Strictly restrict credit to high energy-consuming and high pollution industries
- Review loans to local government financial platforms and adopt various measures to mitigate and relieve risk
- Strengthen risk management of real estate development loans
- Raise the entry threshold and tighten the approval criteria for new loans to industries with overcapacity
- Execute a dynamic and differentiated personal housing loan policy

Market Risk Management

- Continue to strengthen monitoring and pre-warning of market risk at the group level
- Adjust the structure of investment portfolios
- Introduce a dynamic assessment and classification system for the sovereignty risk of high-risk countries
- Effectively control foreign exchange exposure by ensuring currency matching of sources and uses of funds whilst employing economic hedging and other transactions

Operation Risk Management

- Continuous audit of key business lines
- Audit of systematic and significant risk factors
- Actively adopt off-site audit measures to establish long-term risk pre-warning mechanism
- Cultivate operation risk management culture

Strictly control LGFP loans

- Balance lower than the end of 2009
- Lowest balance among large four commercial banks
- 90% extended to district and above level platforms
- NPL ratio at only 0.07%
- Centralize approval of new loans to HQ
- New loans mainly to support ongoing construction of existing projects
- Adopt various measures to relieve credit risks of existing loan book

Risk of real estate loan under well control

- Balance and % as of total loans lowest among large four commercial banks
- NPL balance at RMB2.07 billion and NPL ratio at 0.72%
- LTV ratio at approximately 50%

Strengthen management of loans to industries with overcapacity

- Adopt higher entry threshold and stricter lending criteria
- NPL ratio lower than average loan NPL
- Improve existing loan book structure
- % of total loans continue to drop

Remarkable Progress in Infrastructure Development

Improved Channel Development

- ◆ Established 39 outlets, upgraded 337 and relocated 361 ones
- ◆ Completed unified transformation of 9,439 outlets
- ◆ Total 20,189 ATMs, up by 11.78%; 12,454 self-service terminals, up by 5.39%
- ◆ The number of e-banking customers increased by 23.86%. The number of e-banking transactions accounted for 51.59% of the Bank's total transaction, up by 10.45 pps YoY
- ◆ The number of personal online banking customers increased by 46.78%
- ◆ "BOC Mobile" emerge as an influential market brand name

Capital Replenish Plan

Successful Issuance of Convertible Bond RMB40 bn

Summary	Existing A shareholders (excl. controlling shareholder) were entitled to preferential rights to subscribe CB RMB3.75 for each share
Maturity	6 years from issuance
Coupon rate	1st year: 0.5%; 2nd year: 0.8% 3rd year: 1.1%; 4th year: 1.4% 5th year: 1.7%; 6th year: 2.0%
Redemption price at maturity	RMB106 (including the final year coupon)
Conversion price	RMB 3.88/share
Deal summary	Successful issuance with 53X oversubscription

A & H Share Rights Issue of up to RMB60 bn in progress

Proportion	up to 1.1 Rights Shares for every 10 existing Shares
Subscription price	The Subscription Price shall be determined based on a discount to market price but not lower than the most recent net asset value per share audited by a domestic auditor in accordance with the PRC GAAP. The Subscription Prices of A and H Rights Shares shall be the same after exchange rate adjustment
Issue size	On the basis of current total issued share capital of 253.839 bn Shares, the Bank expects to allot and issue no more than 27.922 bn Rights Shares (comprising no more than 19.56 bn A Rights Shares and no more than 8.362 bn H Rights Shares).
Latest progress	Approved at the EGM on 20 August 2010

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Profit & Loss Summary

(RMB million)	1H2010	1H2009	1H2010 vs 1H2009
Net interest income	91,864	74,722	22.9%
Non-interest income	41,015	33,120	23.8%
-Net fee and commission income	28,306	22,955	23.3%
Operating income	132,879	107,842	23.2%
Operating expenses	(53,094)	(41,966)	26.5%
Impairment losses on assets	(9,951)	(10,081)	-1.3%
Operating profit	69,834	55,795	25.2%
Profit before income tax	70,287	56,053	25.4%
Income tax expense	(15,912)	(12,819)	24.1%
Profit after income tax	54,375	43,234	25.8%
Profit attributable to equity holders of the Bank	52,022	41,005	26.9%
EPS (RMB)	0.20	0.16	
Key Ratios (%)			
Non-interest income to operating income	30.87	30.71	+0.16
Net fee & commission income to operating income	21.30	21.29	+0.01
Cost to income (calculated under domestic regulations)	29.79	31.42	-1.63
Net interest margin	2.04	2.04	—
Credit cost	0.44	0.37	+0.07

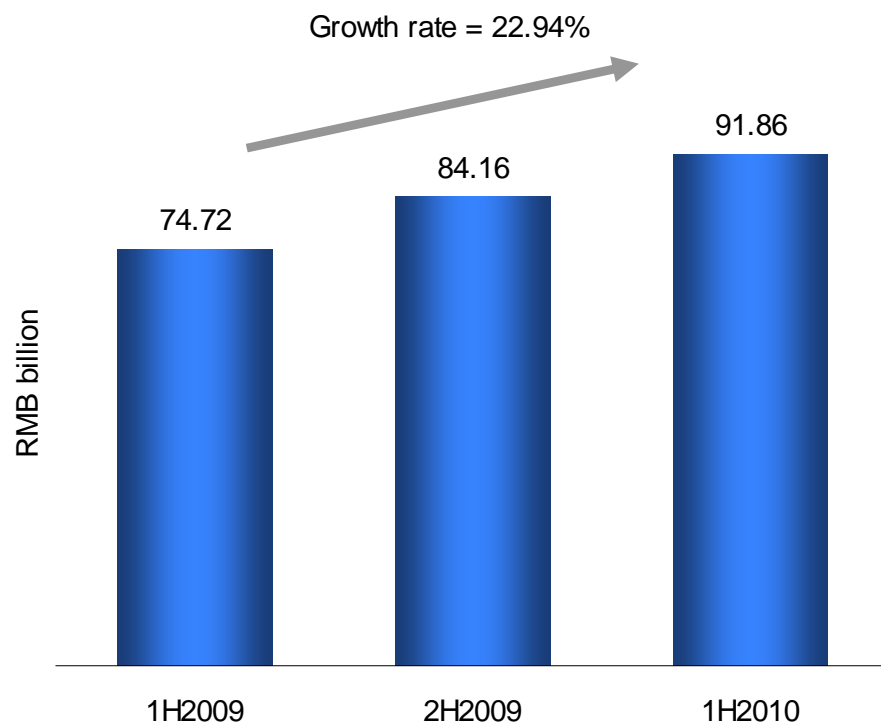
Balance Sheet Summary

(RMB million)	30 Jun 2010	31 Dec 2009	31 Dec 2008	1H2010 vs 2009	2009 vs 2008
Assets					
Loans, net	5,270,161	4,797,408	3,189,652	9.9%	50.4%
Investment securities	1,966,655	1,816,679	1,646,208	8.3%	10.4%
Balances with central banks	1,288,440	1,111,351	1,207,613	15.9%	-8.0%
Due from banks & other financial institutions	723,643	618,199	525,509	17.1%	17.6%
Total assets	9,685,812	8,751,943	6,955,694	10.7%	25.8%
Liabilities					
Due to customers	7,219,334	6,620,552	5,103,409	9.0%	29.7%
Due to banks and other financial institutions and due to central banks	1,406,519	1,152,424	858,045	22.0%	34.3%
Total liabilities	9,118,496	8,206,549	6,461,793	11.1%	27.0%
Total equity	567,316	545,394	493,901	4.0%	10.4%
Key financial ratios (%)	30 Jun 2010	31 Dec 2009	31 Dec 2008	1H2010 vs 2009	2009 vs 2008
Core capital adequacy ratio	9.33	9.07	10.81	+0.26	-1.74
Capital adequacy ratio	11.73	11.14	13.43	+0.59	-2.29
Non-performing loans to total loans	1.20	1.52	2.65	-0.32	-1.13
Allowance for loan impairment losses to non-performing loans	188.44	151.17	121.72	+37.27	+29.45

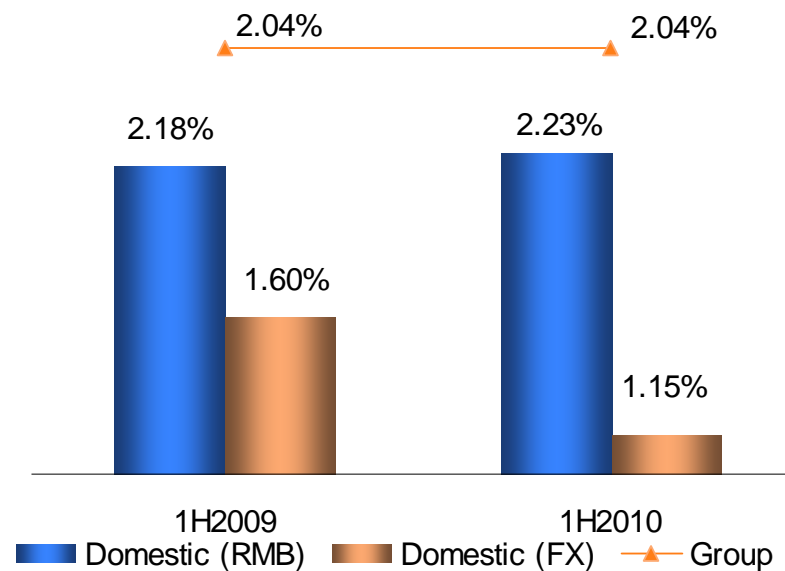
Note: Investment securities include securities available for sale, securities held to maturity, securities classified as loans and receivables and financial assets at fair value through profit or loss.

Rapid Growth in Net Interest Income with Stable NIM

Net interest income grew by 23% YoY

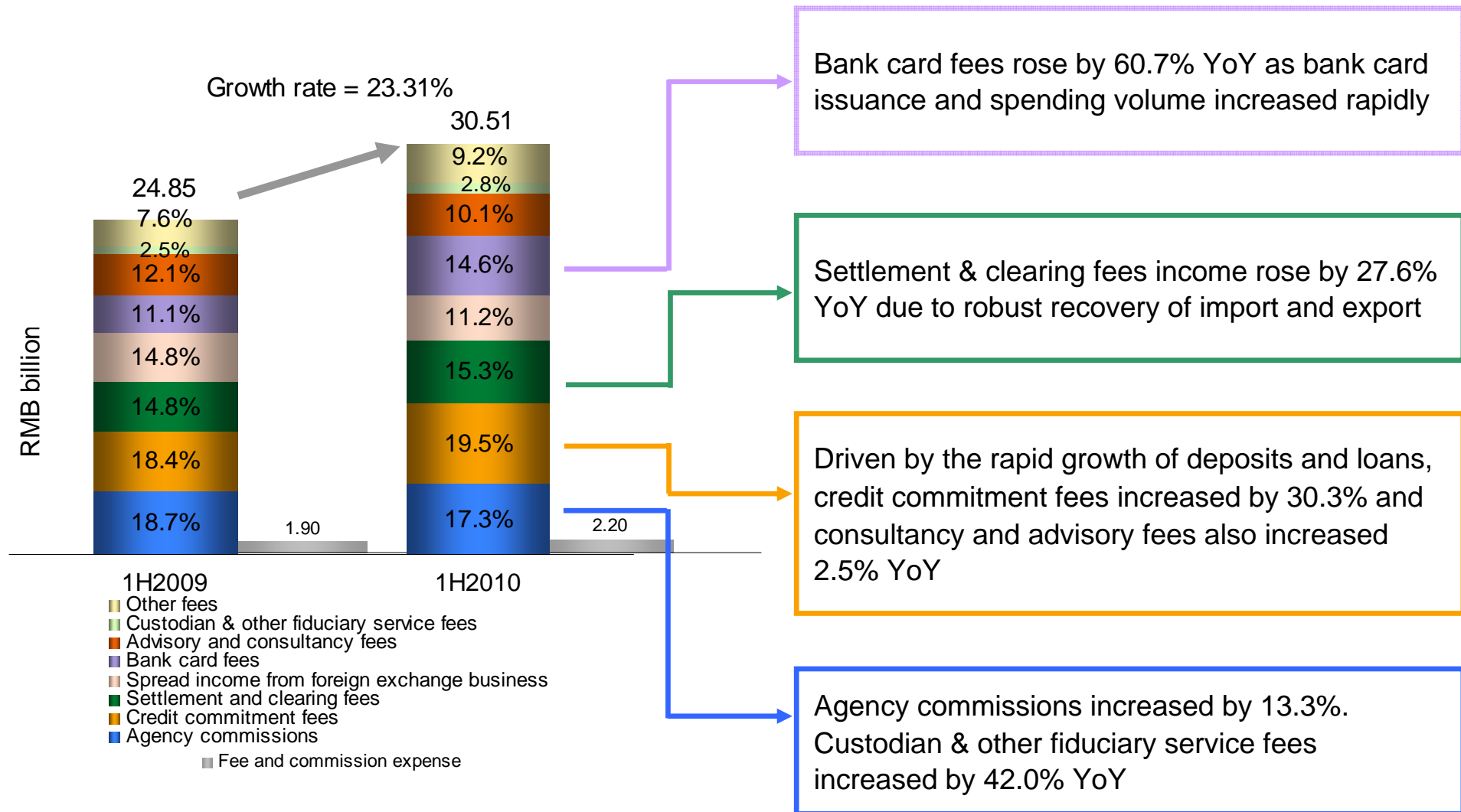


Net interest margin maintained stable



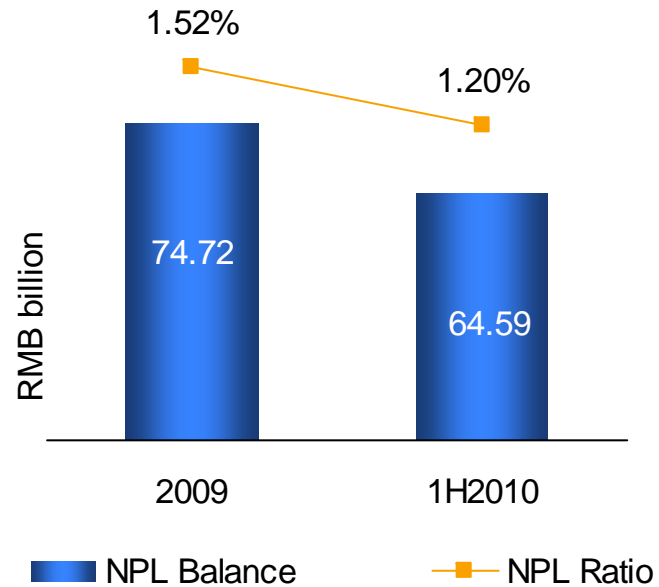
Steady Growth in Non-Interest Income

Net fee and commission income breakdown

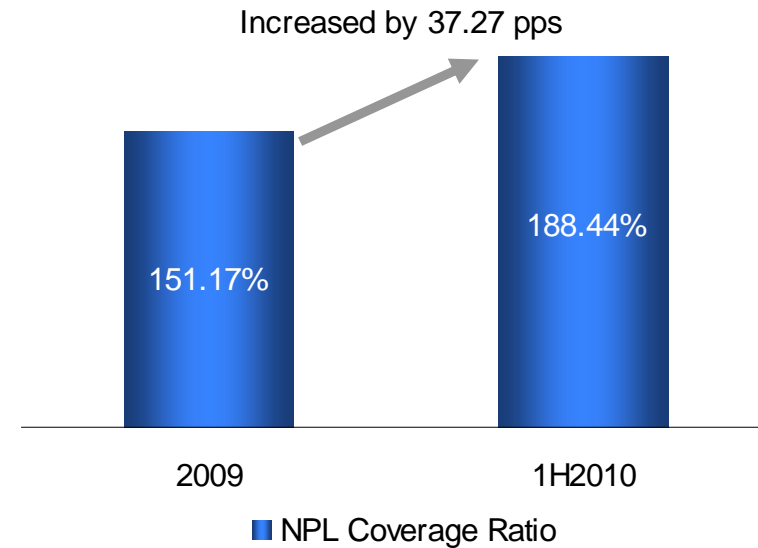


Continuous Improvement in Asset Quality

NPL Balance & NPL ratio kept steady decrease

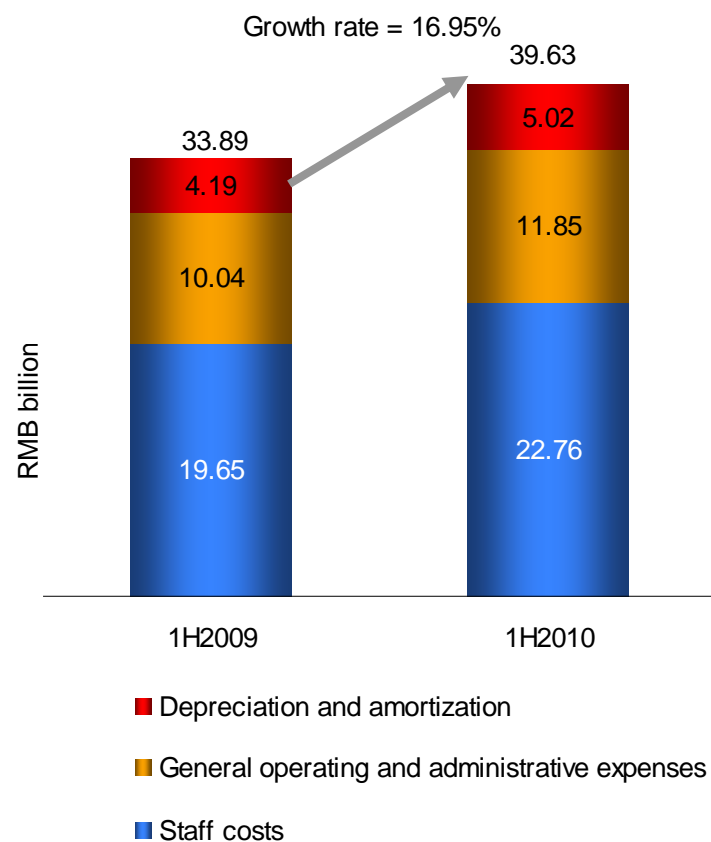


NPL Coverage ratio continued to increase

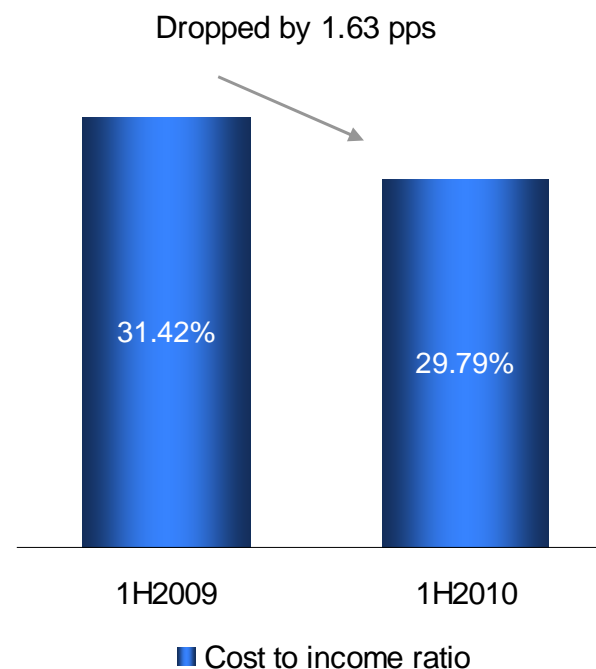


Increase Strategic Expenditures and Strengthen Cost Control

Breakdown of general operating and administrative expenses



Cost to income ratio decreased by 1.63 pps



Outlook for 2010

Improve net interest margin

- Control credit lending pace and ensure balanced development
- Adjust business structure and increase loan yield
- Improve the pricing power to RMB and FX corporate and retail loans, strictly minimize the loans priced below benchmark rate

Develop fee and commission income business

- Develop fee and commission income business focused on product innovation and service design
- Maintain leadership in corporate trade finance business, explore and penetrate new market for corporate banking products
- Enhance development of personal banking products and services including fund distribution, bank cards etc
- Solidify the advantage of foreign currency wealth management, provide diversified RMB wealth management products, conduct research in opportunities of margin finance, short selling and index futures products

Strictly control risk and improve credit quality

- Enforce industry credit guideline and introduce more intensive risk management
- Strictly manage and control the scale and proportion of LGFP lendings. Accelerate proactive exit from the risky financing projects
- Strengthen management of group customers and prevent transfer and spread of risks
- Manage credit costs at an appropriate level

Control cost

- Enforce strict cost control and maintain cost-to-income ratio at a low level

Q&A

