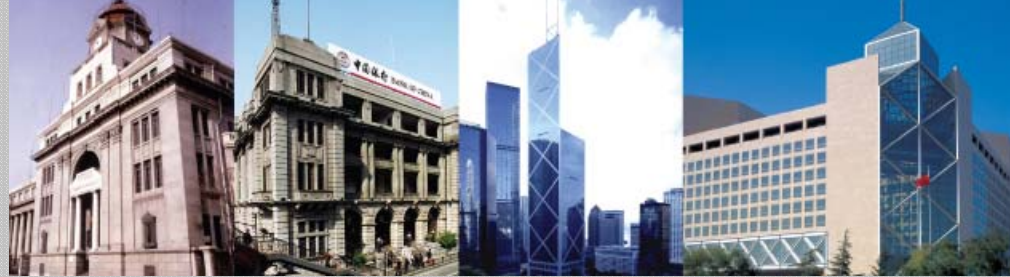




中國銀行  
BANK OF CHINA



# Delivering Growth and Excellence

Bank of China Limited

**2008 Annual Results**

Mar 24, 2009

# Forward-looking Statement Disclaimer

---

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

---



**Mr. Li Lihui, Vice Chairman & President**



**Mr. Zhu Min, Executive Vice President**



**Mr. Chen Siqing, Executive Vice President**

# Agenda

---

## Agenda

## Speaker

1

**Key performance highlights and strategy**

**Mr. Li Lihui, President**

2

**2008 Annual Results and 2009 Outlook**

**Mr. Zhu Min,  
Executive Vice President**

# Agenda

---

## Agenda

## Speaker

1

**Key performance highlights and strategy**

**Mr. Li Lihui, President**

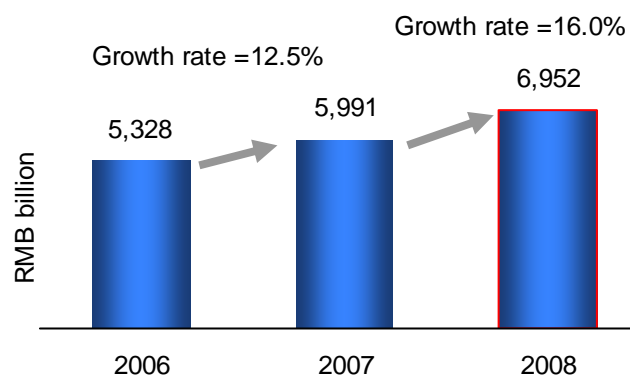
2

**2008 Annual Results and 2009 Outlook**

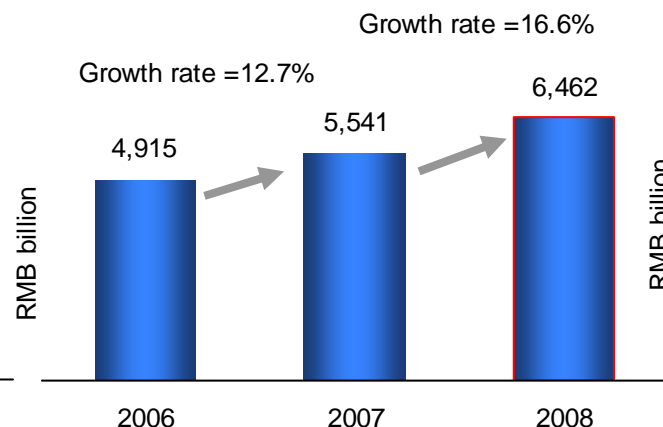
**Mr. Zhu Min,  
Executive Vice President**

# 2008 Performance Highlights

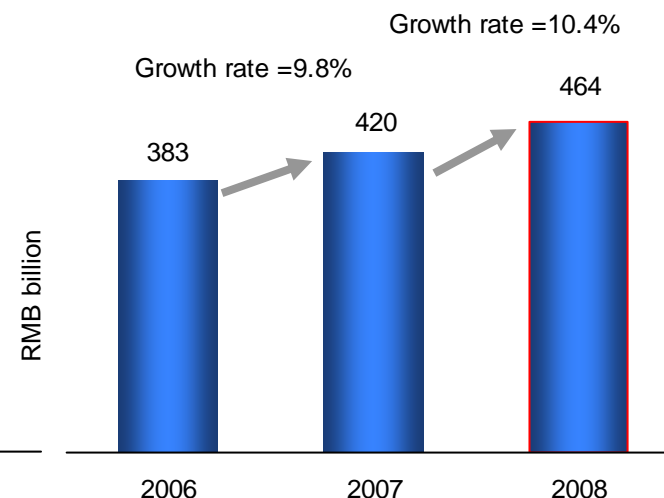
## Total Assets



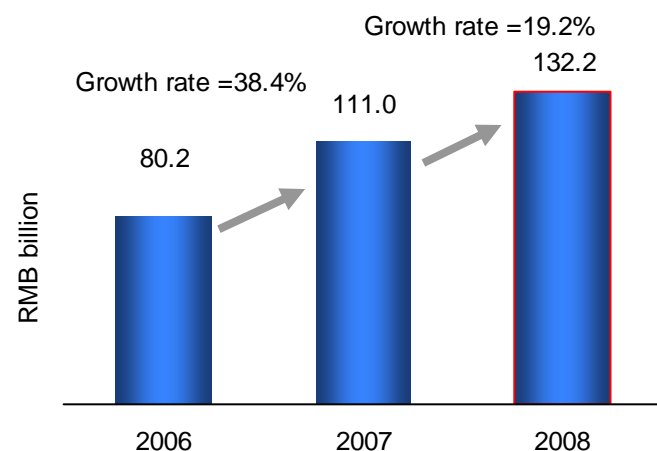
## Total Liabilities



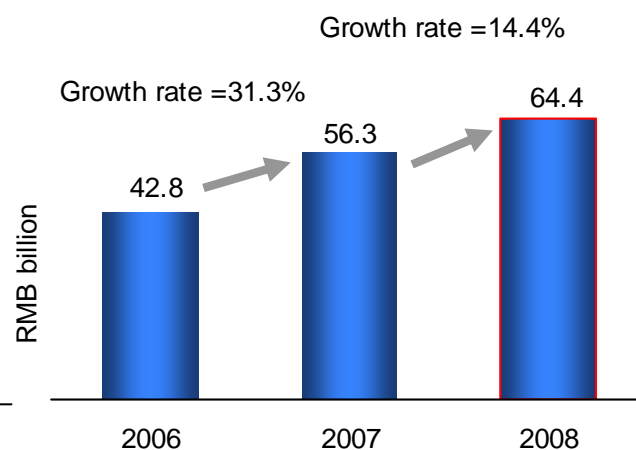
## Capital and reserves attributable to equity holders of the Bank



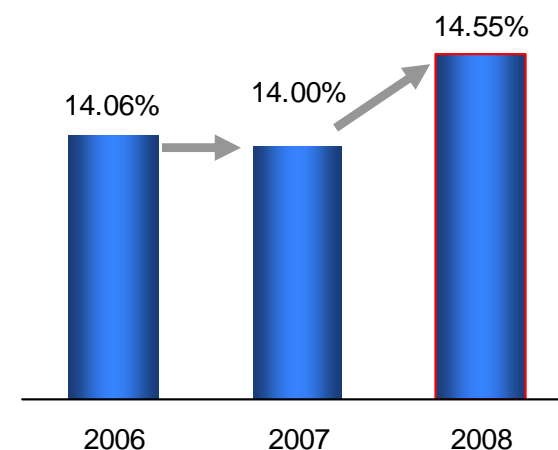
## Profit before provision



## Profit attributable to equity holders of the Bank



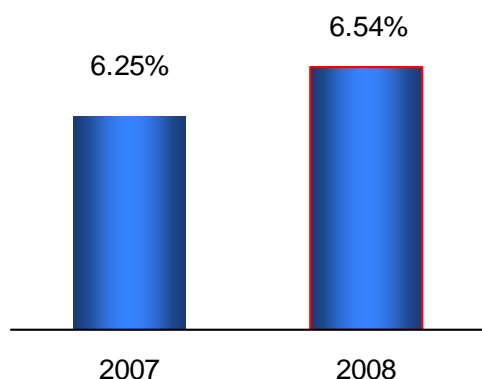
## Return on average equity



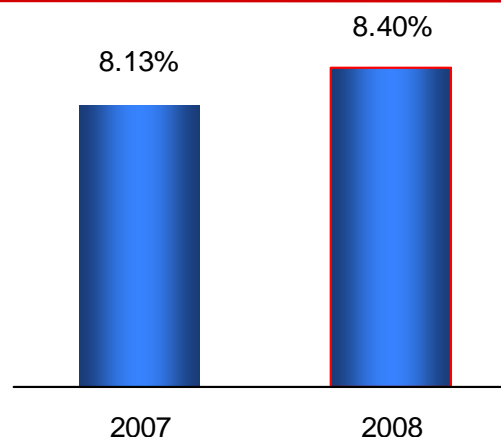
# Enhanced Competitiveness

## Increased market share in RMB deposit and loan business

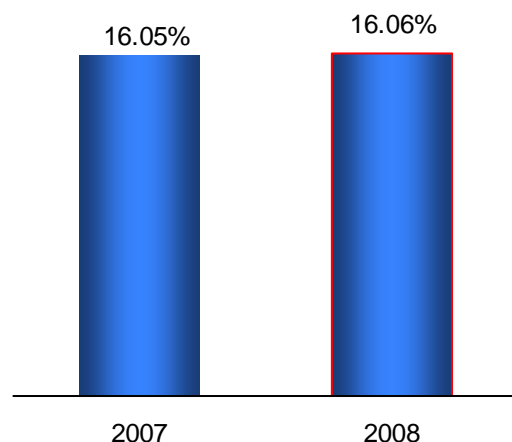
### Market share of RMB corporate loans



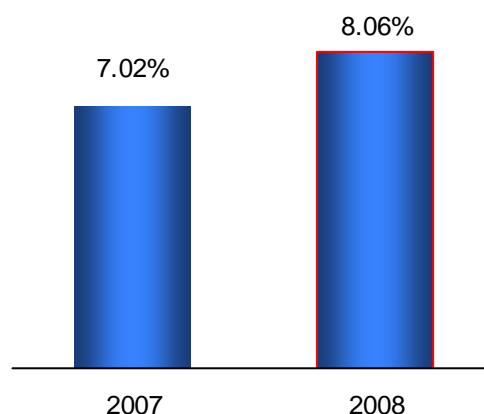
### Market share of RMB corporate deposits



### Market share of RMB personal loans



### Market share of issued credit card volume



## Leading position in various business lines

### Corporate Banking Business

- ◆ Leading position in foreign currency-denominated corporate deposits & loans
- ◆ International settlement transaction vol. reached US\$1.7 trillion, topped the global banking sector
- ◆ BOC Aviation reinforced its leading position in Asia

### Personal Banking Business

- ◆ Largest market share in personal foreign currency denominated deposits & loans
- ◆ No.1 in FX card merchant acquiring business

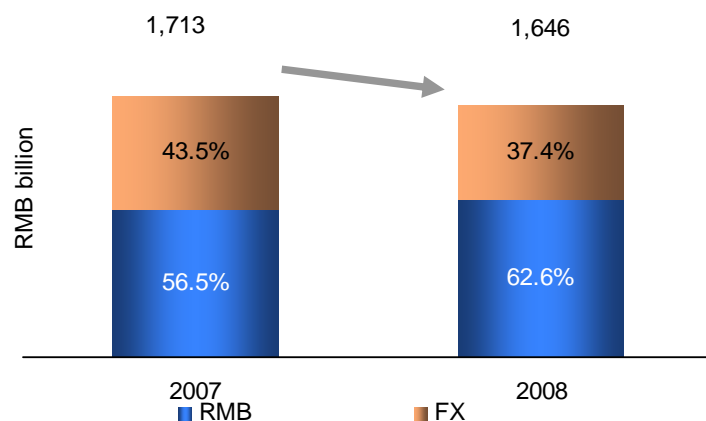
### Financial Markets Business

- ◆ Leading position in foreign-currency WM business, FX sale & settlement, RMB bond repurchase, forward bond transaction and gold trading in domestic market

# Risk Management in Financial Crisis

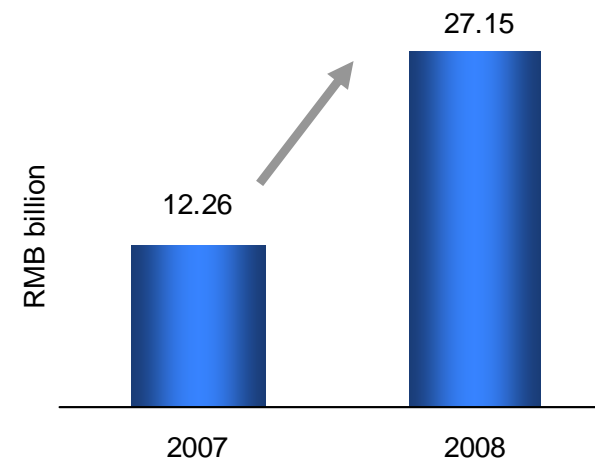
## Manage investment securities portfolio Reduced exposure in foreign currency investment

Total amount and currency structure of investment securities

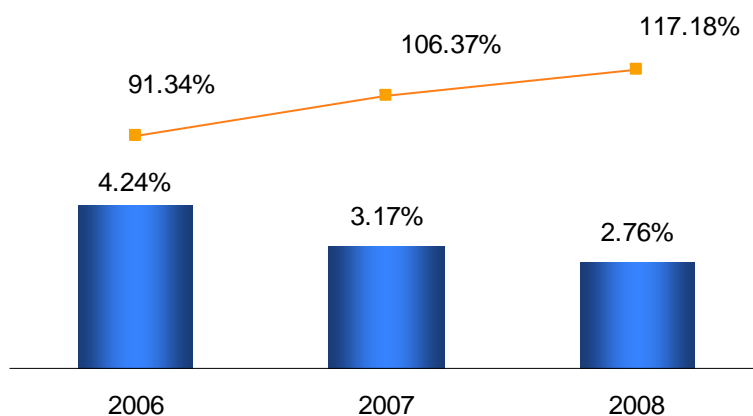


## Charge impairment provision on investment securities in a prudent manner

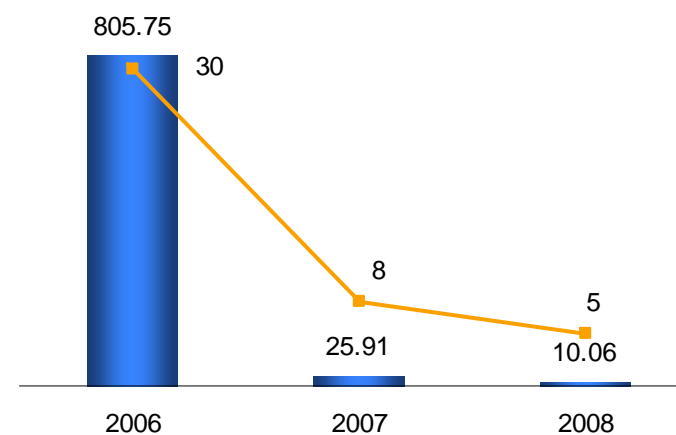
Impairment losses for investment securities



## Effective risk management through timely adjustment of industry credit policies



## Effectively strengthened internal control





# Earthquake Relief Fulfilling Corporate Social Responsibilities

## Effective earthquake relief



### Support after-quake reconstruction

- ◆ Signed a RMB300 billion “Full Strategic Co-operation Agreement” with Sichuan Province Government
- ◆ Extended credit to Dongfang Electric, Panzhihua Iron & Steel, Sichuan Highway, and Conch Cement to support after-quake reconstruction
- ◆ Provided priority handling of personal loan application for quake-hit region local resident at prime rate. Extended RMB18 billion credit lines to over 20 real estate development companies and car agencies.

### Resume operation

- ◆ Resume operation in the shortest time
- ◆ Sichuan Branch is the only financial institution to receive the honor of “National Quake-relief Hero Group”.

### Donations

- ◆ Domestic and overseas institutions and employees made over RMB150 million donations
- ◆ A “Green Channel for Global Donations” was opened in all domestic & overseas outlets



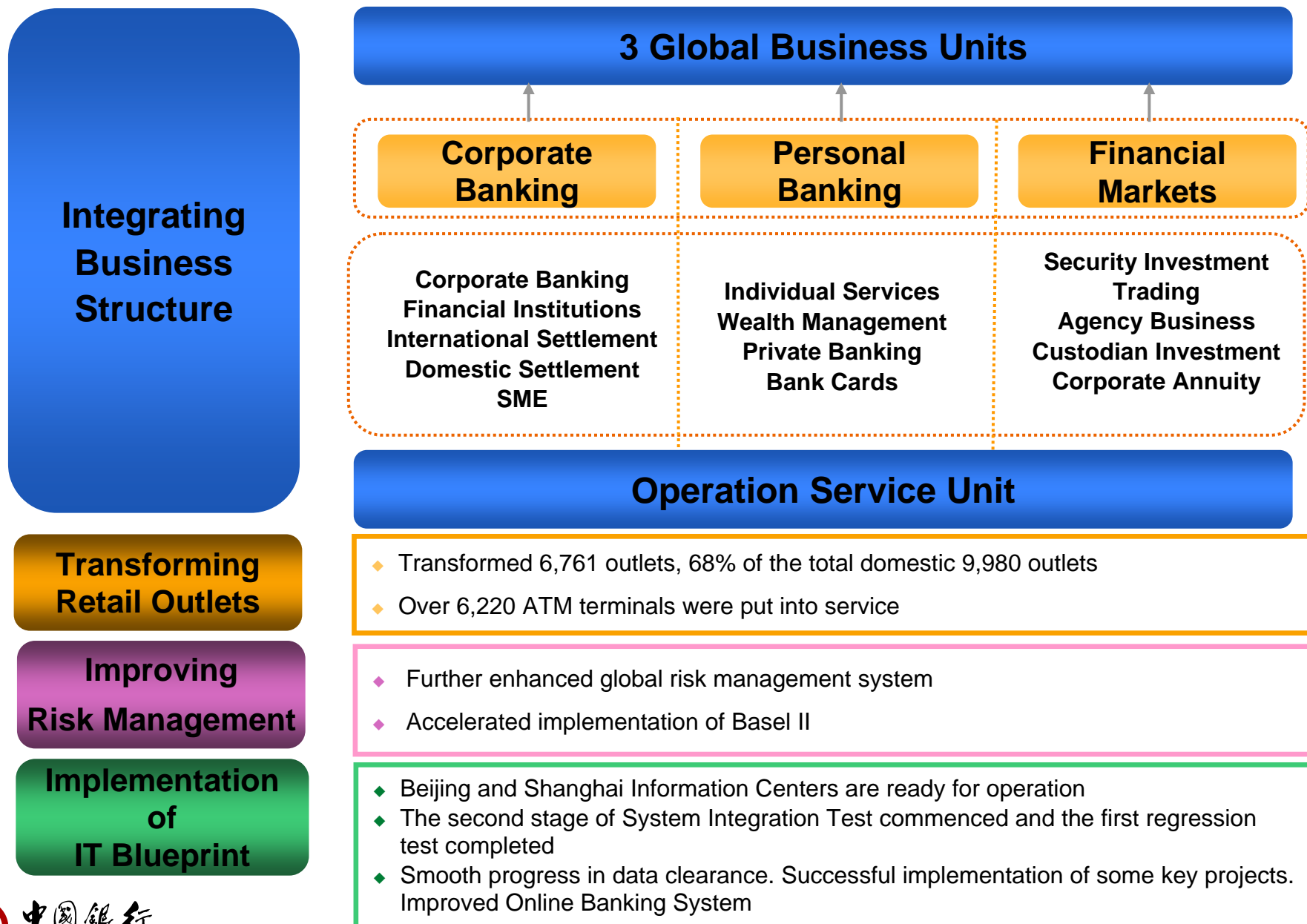
# Enhanced Brand Value through Olympic Services

Provided full range of quality financial services, reflecting comprehensive competitiveness

- ◆ 40 outlets in 7 Olympic hosting cities provided one-to-one services to Game Center, Olympic Village & International Broadcasting Center
- ◆ Zero customer complaints, zero machinery defaults, zero network breakdown, zero negative news report, zero security defaults and zero errors
- ◆ Fulfilled the ticket consignment plan & the issuance and sales of Olympic commemorative banknotes denominated in HK Dollar and MOP Dollar
- ◆ Hot sales of Olympic franchised products and precious metal products
- ◆ Successfully launched the Great Wall Payment Card and Great Wall Pre-paid card
- ◆ 80% of the Olympic Gold-Medallists became BOC Private Banking VIP customers



# Achievement in Infrastructure



# Strategy In New Age



**Strategic Goal**

**Delivering Growth & Excellence  
Become a leading global bank**

**Strategic Positioning**

**Commercial Banking as  
core business**

**Develop diversified  
service capabilities**

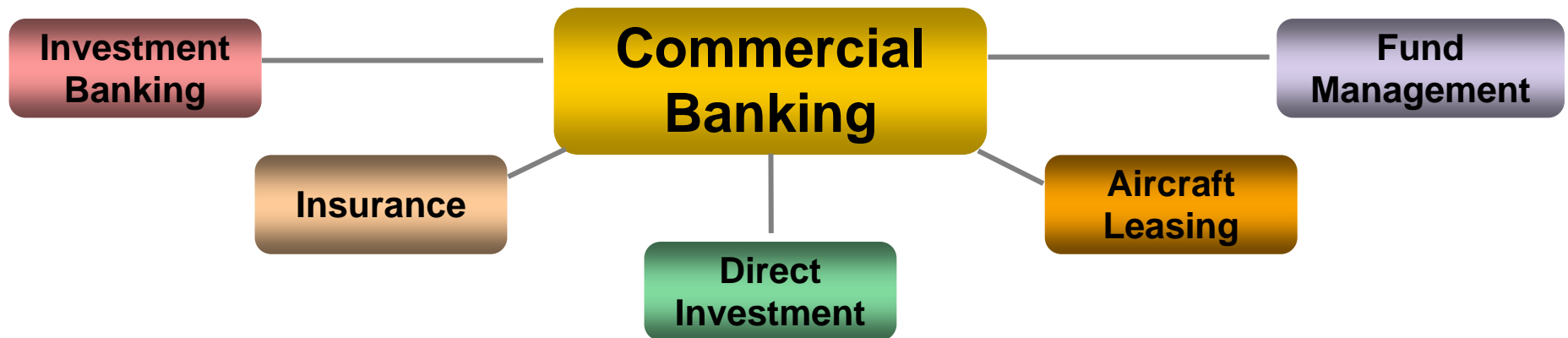
**Focusing on domestic  
market with  
multinational operation**

**Integrated development  
of domestic & overseas  
operations**



# Commercial Banking as Core Business with Diversified Services

Diversified servicing platform is an important component and competitiveness of Commercial Banking

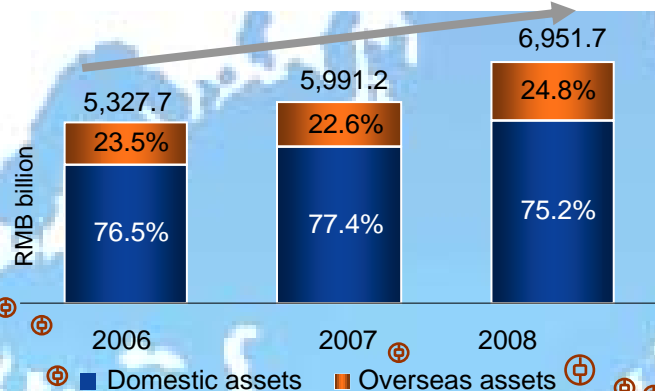


# Integrated Development of Domestic and Overseas Businesses

To become an international first-class bank supported by strong domestic business

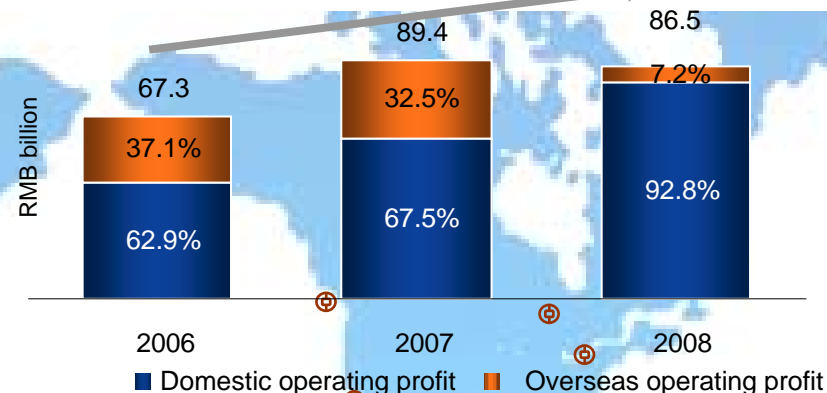
## Total assets by region

Domestic assets CAGR = 14.9%



## Operating profit by region

Domestic operating profit CAGR = 37.3%



Expand service lines and provide integrated global financial services to customers

Integrated customer service

Unified capital management

Vertical business management

# Expanding Business Base & Optimizing Business Structure

## Expanding Business Base

### Deposit & Loan

- ◆ Expand deposit base. Attract low-cost funding
- ◆ Expand market share of RMB deposits & loans as major performance indicator

### Customer Base

- ◆ Expand customer base that matches China's industries adjusting directions & customers with the needs of overseas services
- ◆ Explore good quality large corporate customers
- ◆ Increase penetration rate in key regions & key industries

### Institutional Network

- ◆ Expand domestic network in key provinces
- ◆ Enhance domestic & overseas electronic service channels

### Overseas Network

- ◆ Expand overseas network through self-constructing, M&A etc.
- ◆ Fully utilize our international & diversified business advantages, provide quality services to high-end and "going-abroad" customers.

## Optimizing Business Structure

### Customer Mix

- ◆ Increased % of key customers i.e. mid-to-high end corporate & personal customers. Expand high quality SME customers

### Regional Structure

- ◆ 3 major economic regions, 10 key areas & 40 key cities as major markets. Actively adjust resources allocation & market focused in line with country policies, and increase its profit contribution
- ◆ Asia as the key overseas market

### Assets & Liabilities

- ◆ Increase % of loans in key industries & mid-to-long term loans. Actively attract low cost demand deposit
- ◆ Maintain leading position in non-interest income ratio among peers

### RMB & FX

- ◆ Reduce low yield foreign currency assets, including investment securities
- ◆ Increase % of RMB assets

# Agenda

---

## Agenda

## Speaker

1

Key performance highlights and strategy

Mr. Li Lihui, President

2

**2008 Annual Results and 2009 Outlook**

**Mr. Zhu Min,  
Executive Vice President**



# Profit & Loss Summary

Net profit up by 14.4% to RMB64.4 billion

(RMB million)	2008	2007	% growth
Net interest income	162,936	152,745	6.7%
Non-interest income	65,960	42,230	56.2%
- Net fee and commission income	39,947	35,535	12.4%
Operating income	228,896	194,975	17.4%
Operating expenses	(97,412)	(85,278)	14.2%
Impairment losses on assets	(45,031)	(20,263)	122.2%
Operating profit	86,453	89,434	-3.3%
Profit before income tax	87,179	90,697	-3.9%
Income tax	(21,285)	(28,661)	-25.7%
Profit for the year	65,894	62,036	6.2%
Profit attributable to equity holders of the Bank	64,360	56,248	14.4%
EPS (RMB)	0.25	0.22	14.4%
Key Ratios (%)	2008	2007	Change (PPT)
Non-interest income to operating income	28.82	21.66	7.16
Fee and commission income to operating income	17.45	18.23	-0.78
Cost to income ratio (excluding business & other taxes)	37.59	39.26	-1.67
Net interest margin	2.63	2.76	-0.13
Credit cost	0.55	0.31	0.24
Effective tax rate	24.42	31.60	-7.18

# Balance Sheet Summary

Steady balance sheet growth and capital base remain sound

(RMB million)	2008	2007	% growth
<b>Assets</b>			
Loans, net	3,189,652	2,754,493	15.8%
Investment securities	1,646,208	1,712,927	-3.9%
Balances with central banks	1,207,613	751,344	60.7%
Due from banks & other financial institutions	525,509	423,904	24.0%
<b>Total assets</b>	<b>6,951,680</b>	<b>5,991,217</b>	<b>16.0%</b>
<b>Liabilities</b>			
Due to customers	5,102,111	4,400,111	16.0%
Due to banks & other financial institutions	859,343	663,815	29.5%
<b>Total liabilities</b>	<b>6,461,793</b>	<b>5,540,560</b>	<b>16.6%</b>
<b>Key financial ratios (%)</b>	<b>2008</b>	<b>2007</b>	<b>Change (PPT)</b>
Core capital adequacy ratio	10.81	10.67	0.14
Capital adequacy ratio	13.43	13.34	0.09
Impaired loan ratio	2.76	3.17	-0.41
Impairment coverage ratio	117.18	106.37	10.81

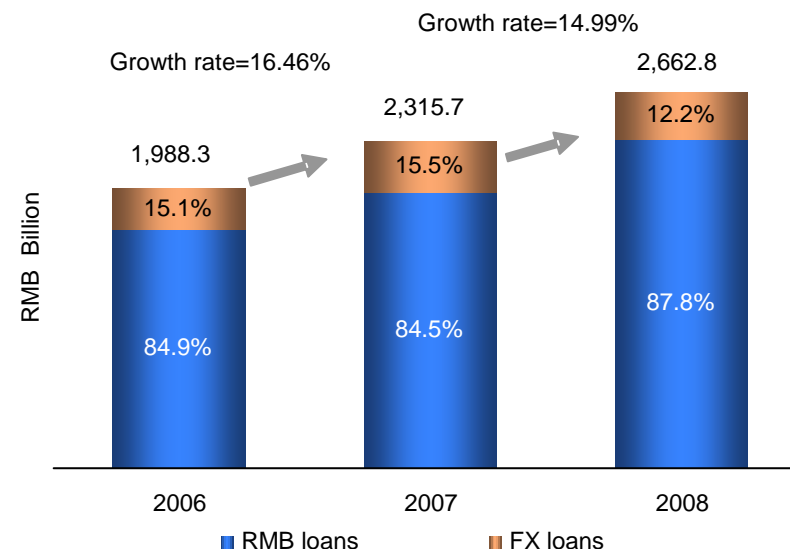
Notes: 1 Investment securities include securities available for sale, securities held to maturity, securities classified as loans and receivables and financial assets at fair value through profit or loss.

# Robust Growth in Domestic Business

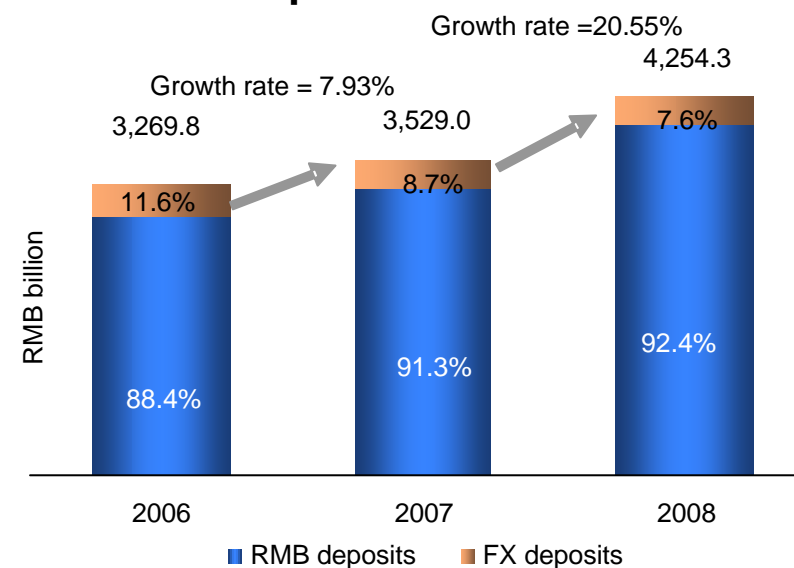
## Major domestic indicators

(RMB million)	2008	2007	Growth
Net interest income	139,412	130,533	6.80%
Non-interest income	46,909	10,139	362.66%
- Net fee & commission income	32,791	25,582	28.18%
Profit before impairment losses	110,638	79,303	39.51%
Operating profit	80,281	60,408	32.90%
Profit after tax	60,779	35,831	69.63%
Domestic RMB loans	2,338,684	1,955,638	19.59%
Domestic RMB deposits	3,931,645	3,221,660	22.04%
Domestic non-performing loan ratio	3.13%	3.76%	-0.63 ppt
Domestic non-performing loan coverage ratio	120.95%	107.21%	13.74 ppt

## Domestic loans



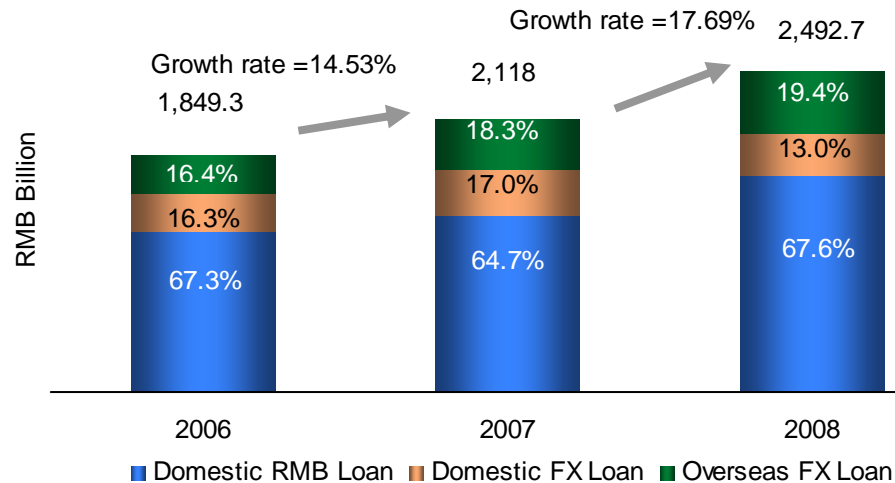
## Domestic deposits



# Corporate Banking

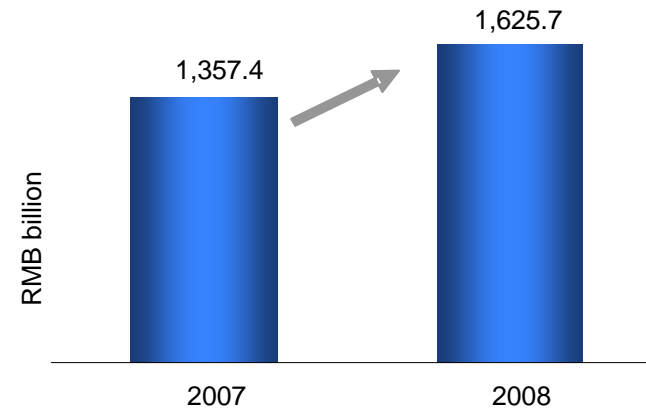
## Optimized customer & industry structure, promoted new SME model

### Corporate loan growth (Group)

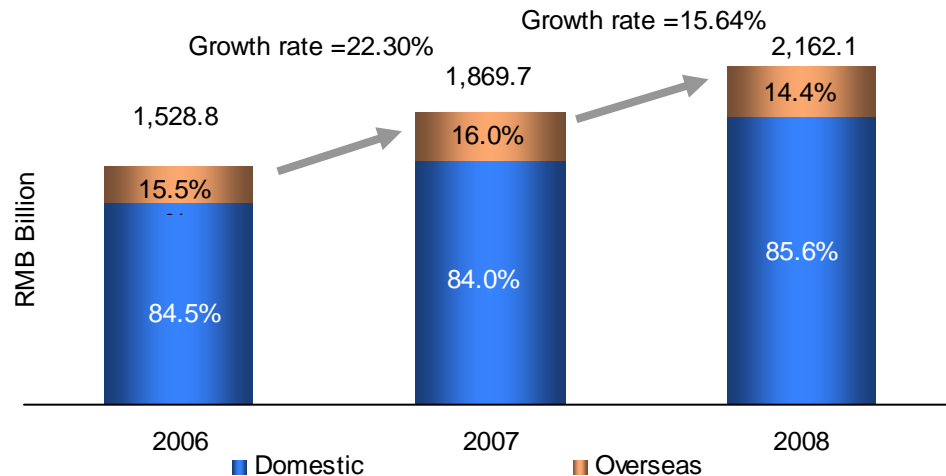


### Optimized domestic corporate client structure

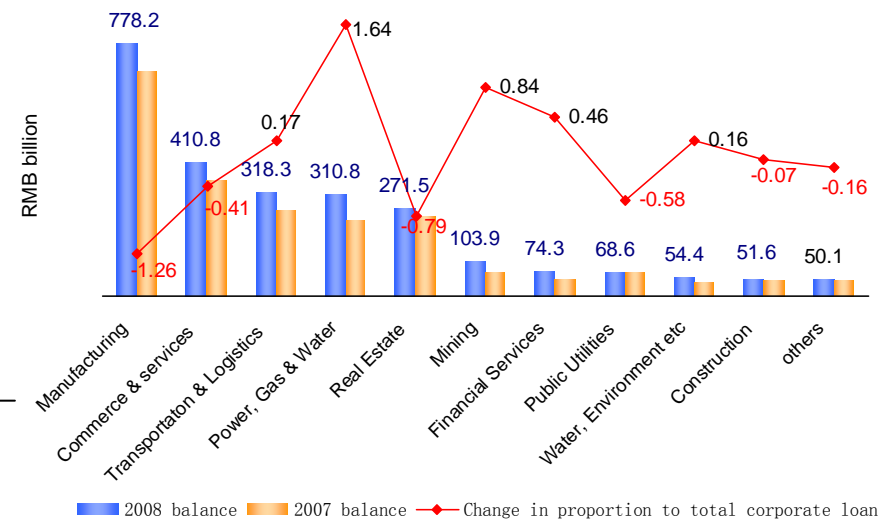
The balance of loans to corporate clients with BB above rating accounts for 91.37% of total loans, up by 3.74 pts



### Corporate deposit growth (Group)



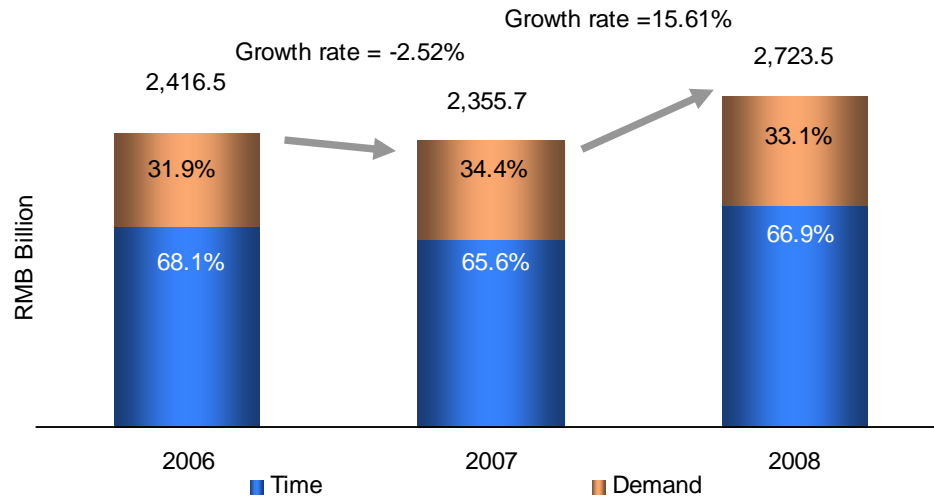
### Improved corporate loan industry structure



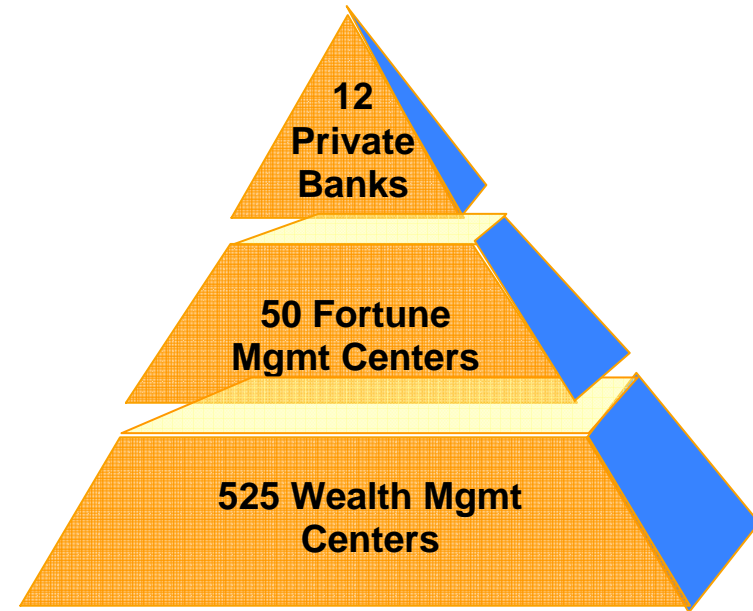
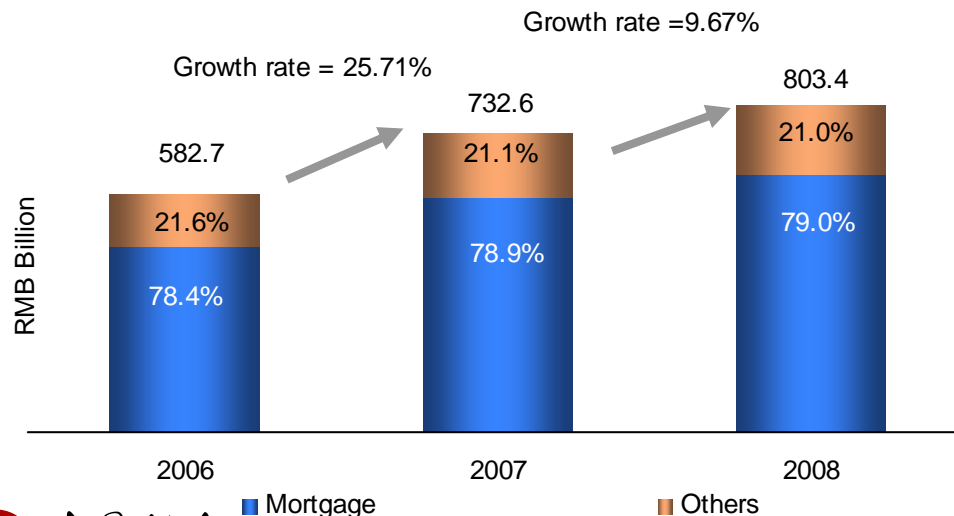
# Personal Banking

Enhanced 3-tier wealth management service framework, expanded customer base

## Retail Deposit (Group)



## Retail loans (Group)



中國銀行  
BANK OF CHINA

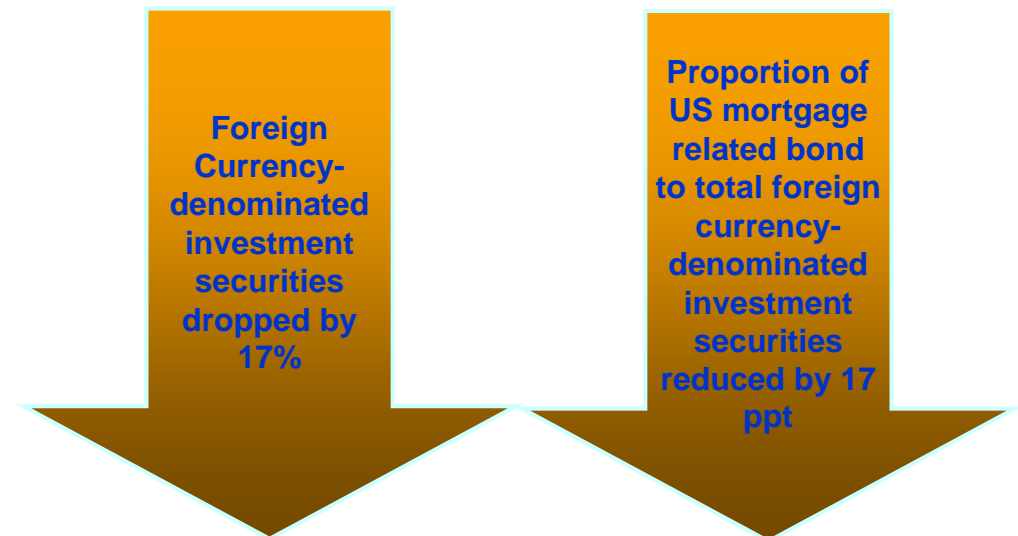
- Issued 127.57 million debit cards in domestic market
- Issued 15.79 million credit cards in domestic market, of which 9.72 million non quasi-credit cards
- Launched a series of commercial cards
- Launched co-branded cards, such as Nanhong Mingzhu BOC Credit cards & BOC Gotone Credit card

# Managing Investment Securities

Proactively adjusted investment portfolio in response to the market changes. Increased investment yields.

## Further reduced exposure in US mortgage related bond investment

(USD million)	2008	2007
US Subprime mortgage related debt securities	2,590	4,990
- of which is AAA-rated	38.83%	71.23%
- Impairment allowance	2,245	1,295
- Reserve for fair value changes	261	282
US Alt-A mortgage-backed securities	1,148	2,470
- of which is AAA-rated	47.34%	98.21%
- Impairment allowance	709	n.a.
Non-Agency US mortgage-backed securities	3,512	6,177
- of which is AAA-rated	60.65%	99.95%
- Impairment allowance	1,506	n.a.
Fannie Mae & Freddie Mac related bonds	8,756	21,829
<b>Total Carrying Value</b>	<b>16,006</b>	<b>35,466</b>

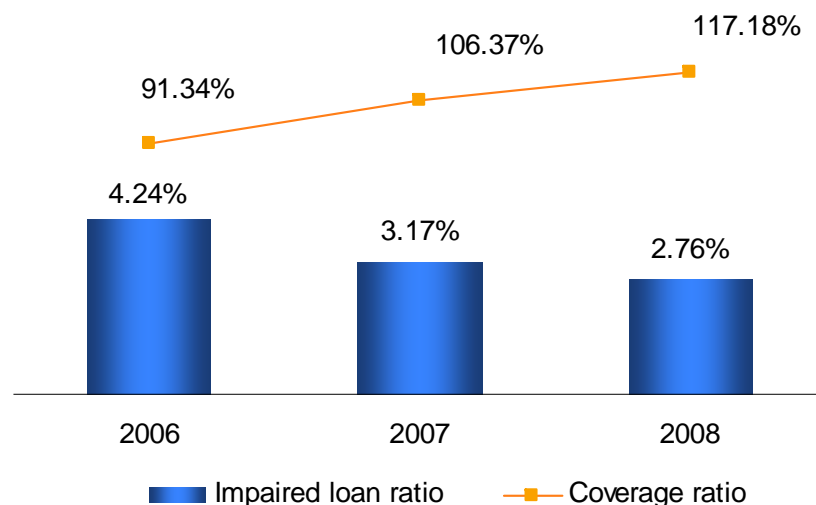


## Investment securities by issuer type

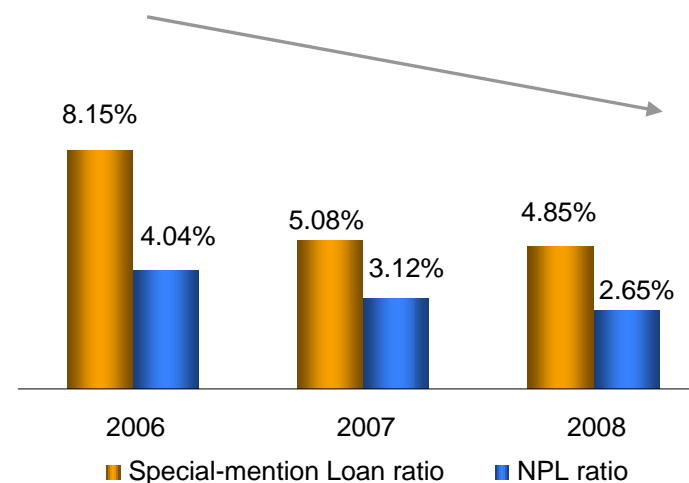
(RMB Billion)	2008	%
Government & government guaranteed	976.9	59.34%
Financial Institution	445.2	27.05%
Public sector & quasi-government	119.6	7.26%
Corporate	89.9	5.46%
Equity securities & Other	14.6	0.89%
<b>Total</b>	<b>1,646.2</b>	<b>100.00%</b>

# Further Improvement in Asset Quality

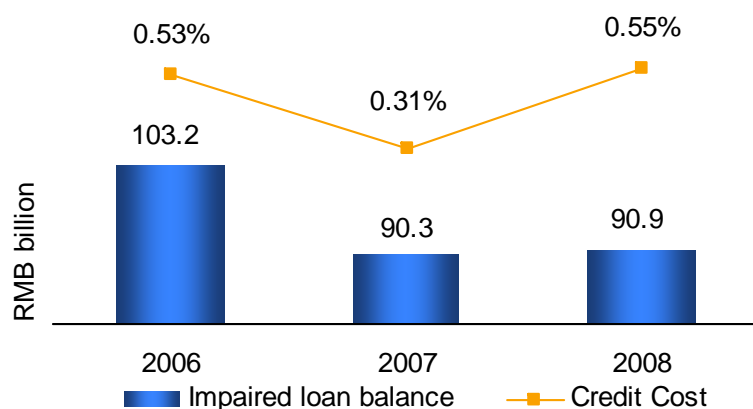
## Impaired loan and coverage ratio



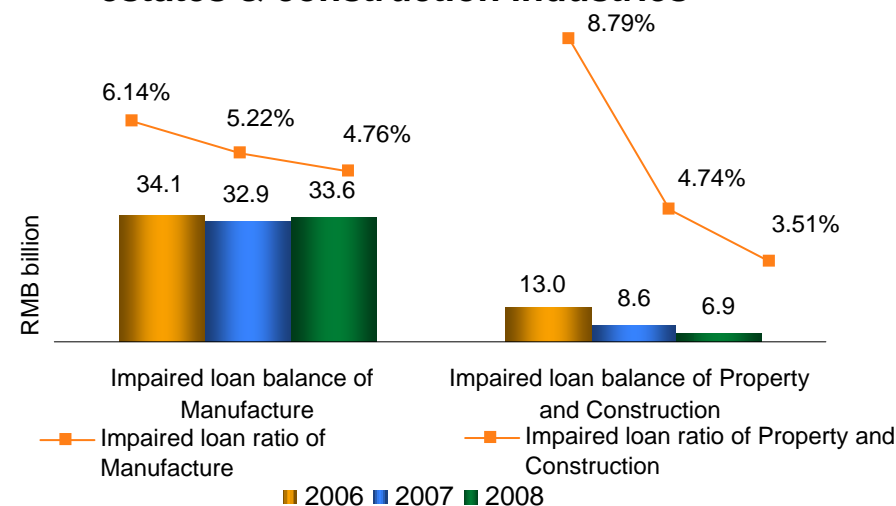
## NPL and special-mention loan ratio



## Impaired loan balance and credit cost

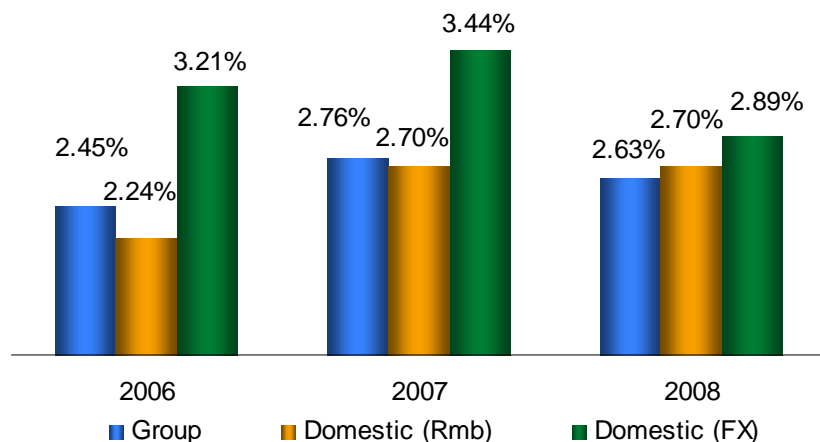


## Impaired loan ratio of manufacturing, real-estates & construction industries

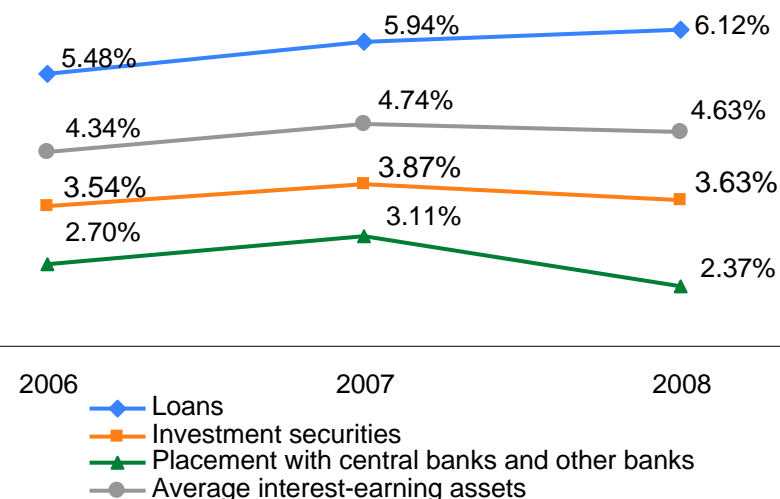


# Continuous Growth in Net Interest Income

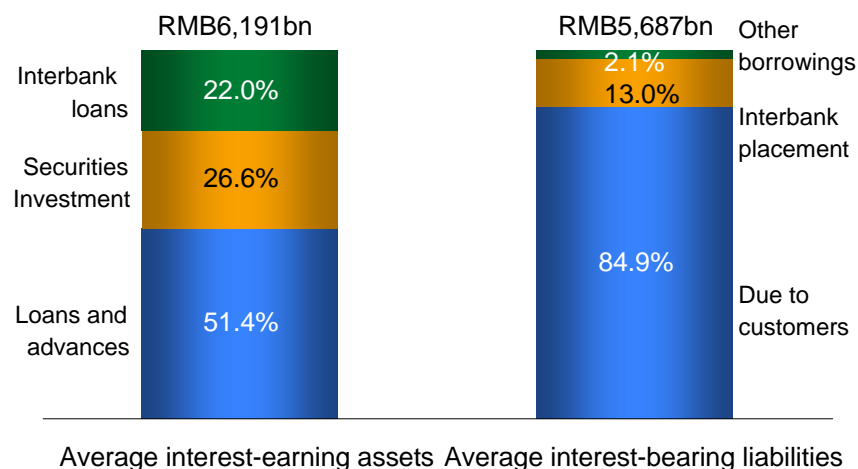
## NIM



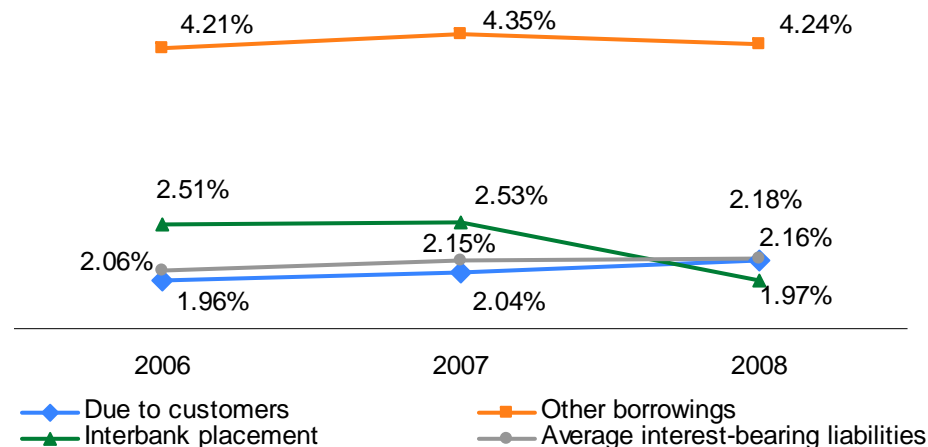
## Average yield



## Structure of interest-earning assets & interest-bearing liabilities



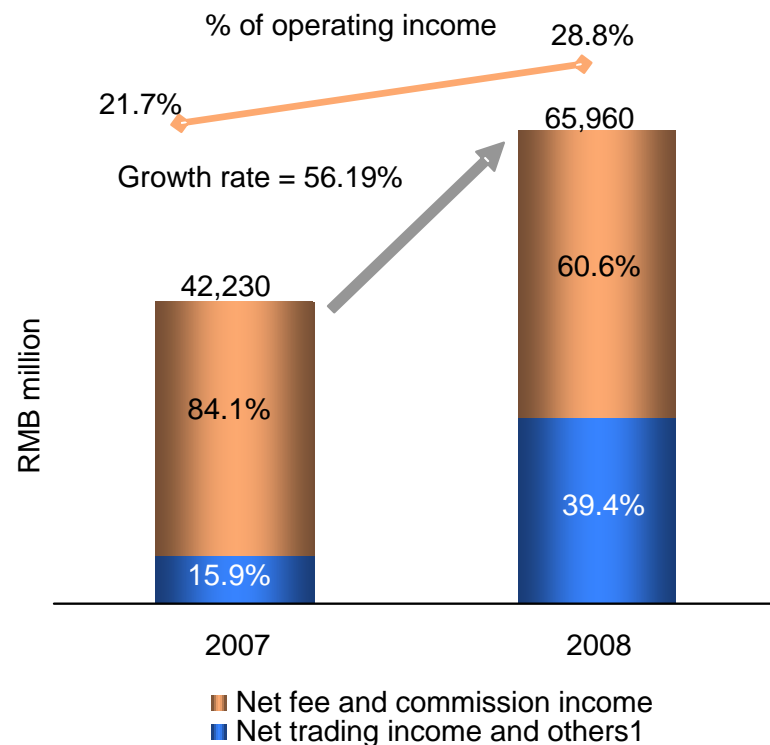
## Funding cost





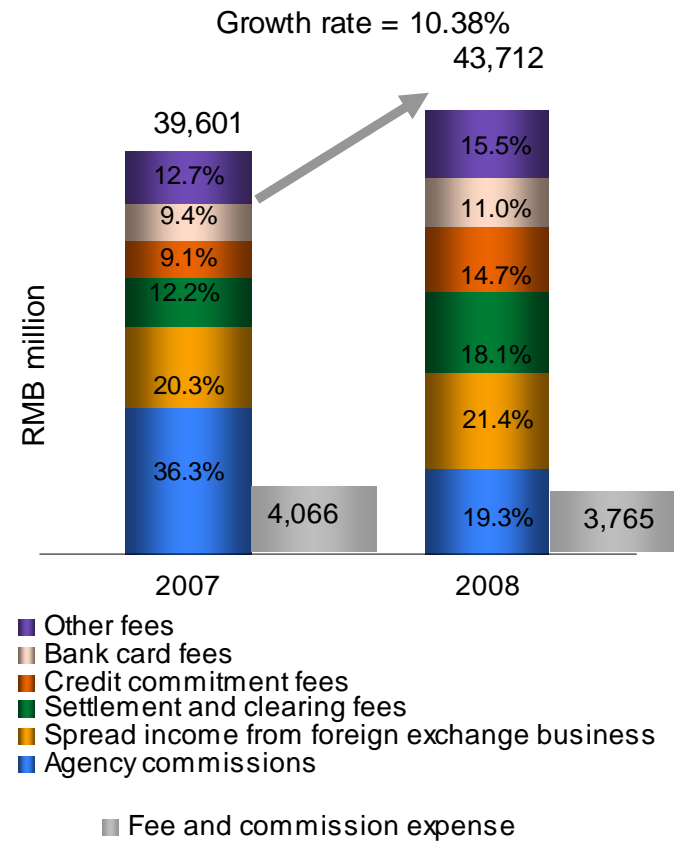
# Further Growth in Non-Interest Income

## Non-interest income



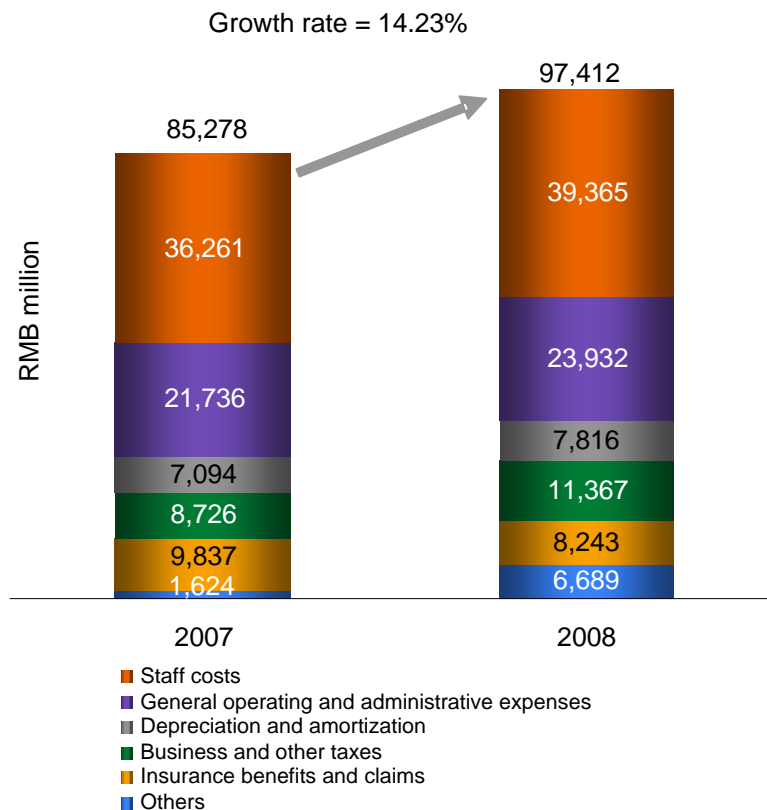
Note: 1 Others include net gains or losses on investment securities and other non-interest income.

## Net fee and commission income breakdown



# Stringent Cost Control

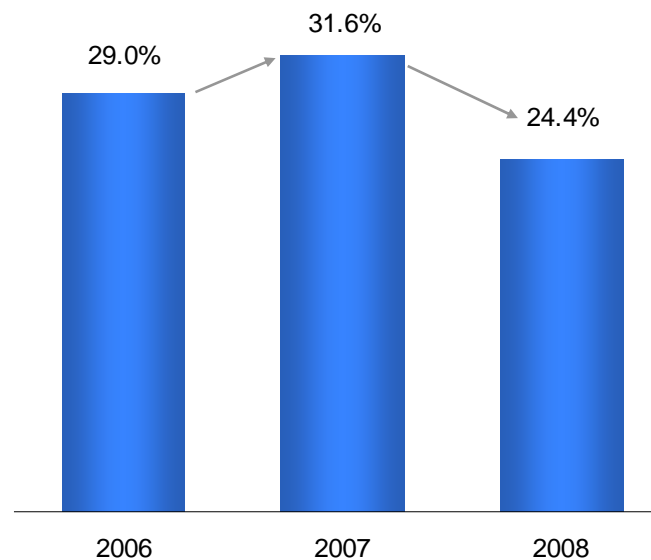
## Operating expenses breakdown



## Enhancing efficiency

	2008	2007	Change
Staff costs/ operating expenses	40.41%	42.52%	-2.11
Cost to income ratio (exclude business & other taxes)	37.59%	39.26%	-1.67
Cost to income ratio (Under CAS)	33.55%	35.59%	-2.04
Operating income per capita (RMB)	918,236	821,366	11.79%
Operating expenses per capita (RMB)	390,777	359,248	8.78%

## Effective tax rate



# 2009 Outlook

## Achieve solid performance in 2009



- ✓ Firmly execute the strategy of “Commercial Banking as core business and provide diversified services; multinational operation and integrate the development of domestic and overseas businesses”.
- ✓ Expand asset size, optimize credit structure. Increase share of medium-to-long term loans.
- ✓ Fully utilize the comparable competitive advantages, provide full-range & global financial services to corporate & personal customers.
- ✓ Expand deposit size and customer base. Increase share of demand deposit.
- ✓ Closely monitor asset quality and increase the efforts in non-performing assets disposals. Achieve further decrease of NPL ratio.
- ✓ Tight budget control to improve cost efficiency. Allocate more budget resources to key areas and key business.

# Q&A

