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BUILD A WORLD-CLASS BANK IN THE NEW ERA

2018 Annual Results
2019.03.29



Forward-looking Statement Disclaimer

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Building a world-class bank in the new era got off to a good start



**General
Principle**

**Pursue progress while
ensuring stability**

Main task

Serve supply-side structural reform

**Execution
of Three
Missions**

**Serve the real economy
Forestall and defuse risks
Deepen reform and innovation**

**Progress in
Strategy
Implementation**

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



Schedule

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Execution of Three Missions

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Progress in Strategy Implementation

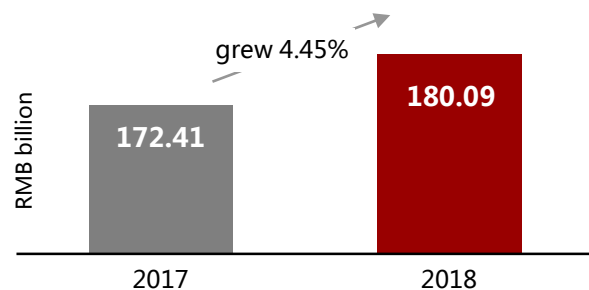
04

2019 Key Tasks

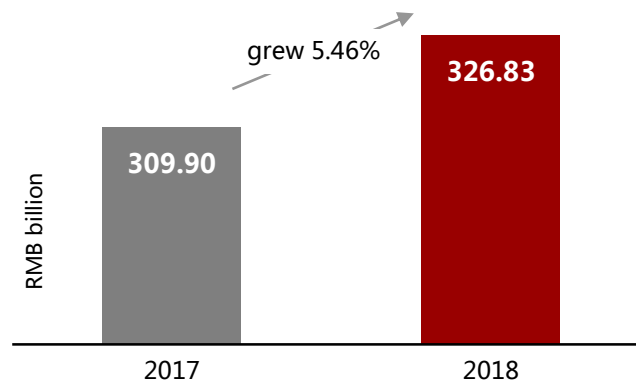


Delivered improved results

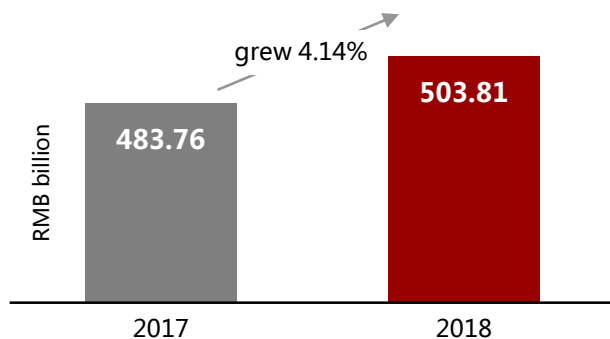
Profit attributable to equity holders



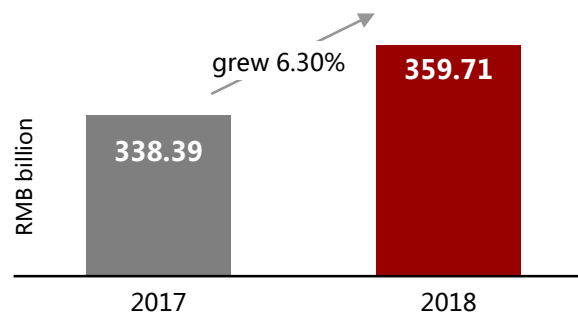
Pre-provision operating profit



Operating income



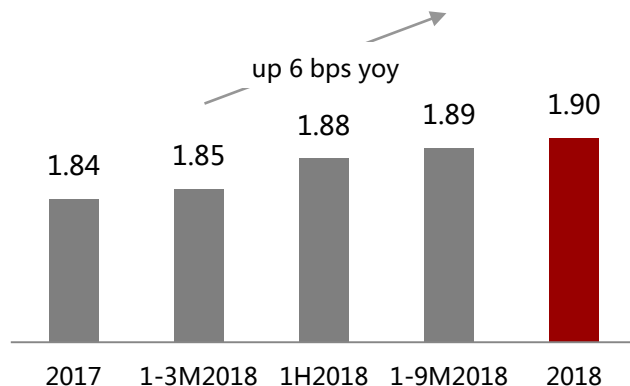
Net interest income



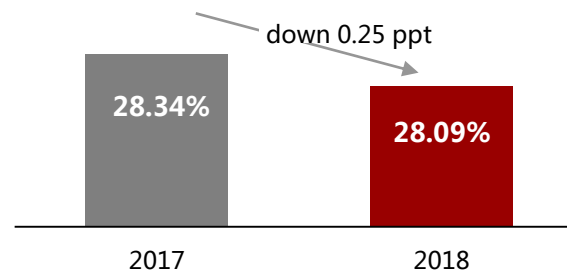


Improved financial performance

Net interest margin

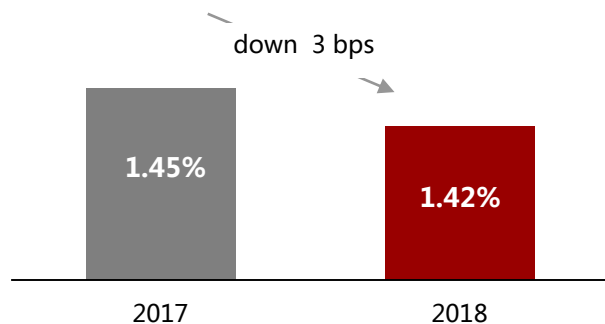


Cost to income ratio

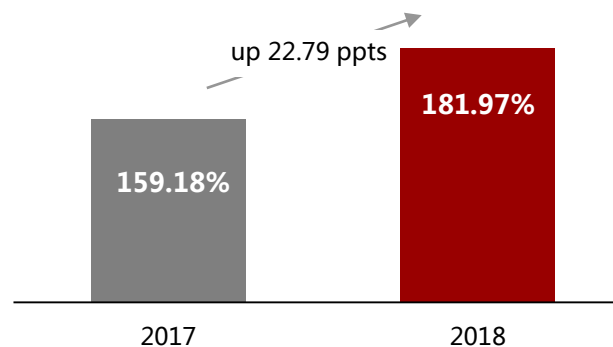


Note: Cost to income ratio is calculated under domestic regulations

NPL ratio



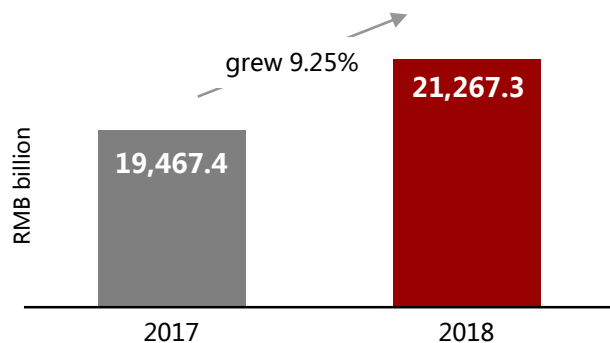
NPL coverage ratio



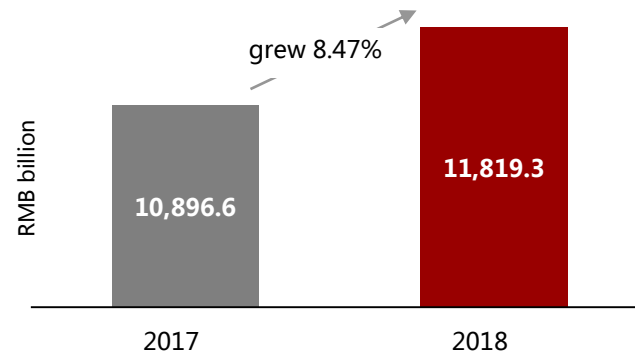


Asset business achieved solid development

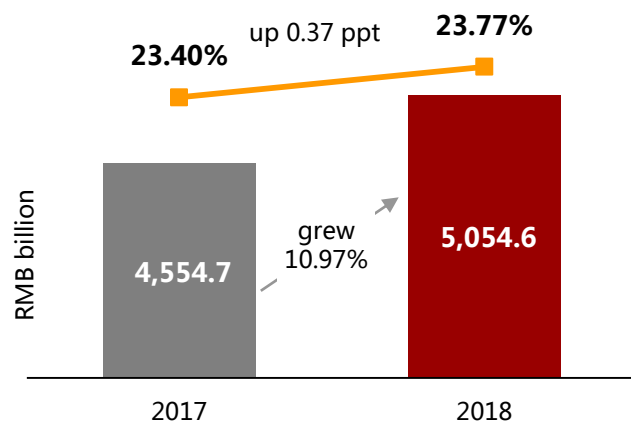
Assets



Loans



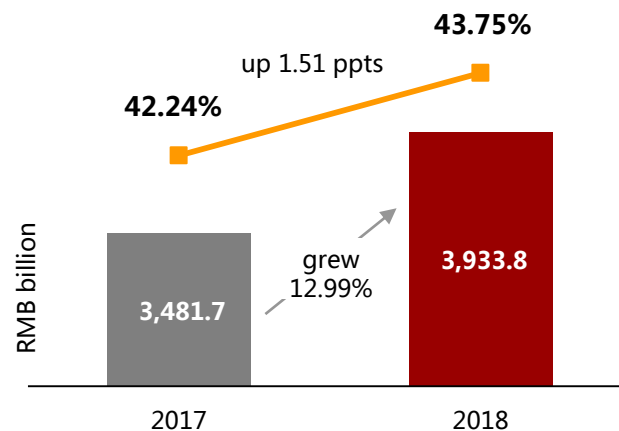
Investments proportion increased



■ Investments

— % of total assets

Higher personal loans proportion



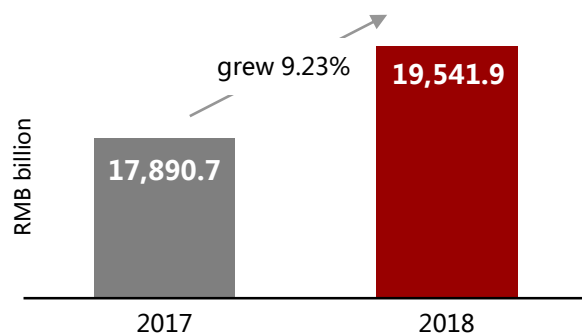
■ Domestic RMB personal loans

— % of domestic RMB loans

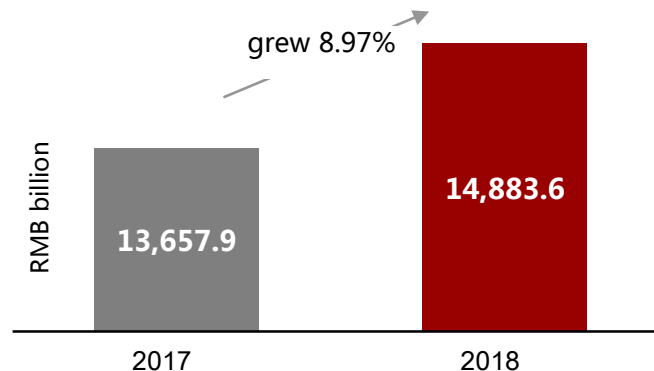


Liability structure continuously optimized

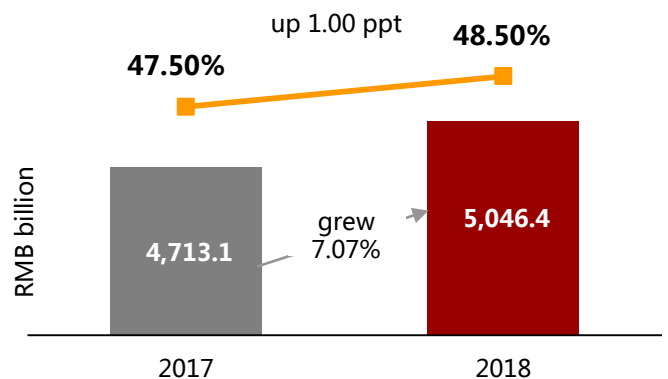
Liabilities



Deposits

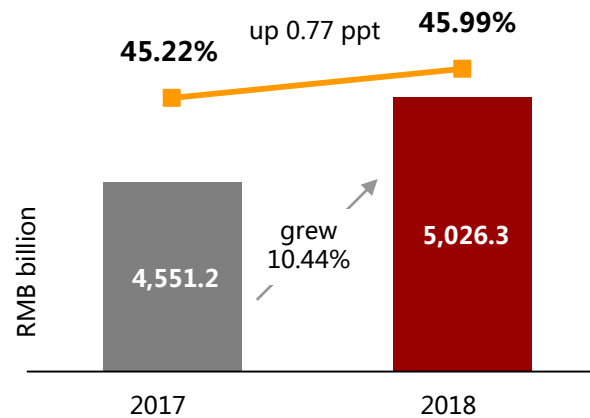


Demand deposits proportion increased



■ Average balance of domestic RMB demand deposits
— % of average balance of domestic RMB deposits

Higher personal deposits proportion

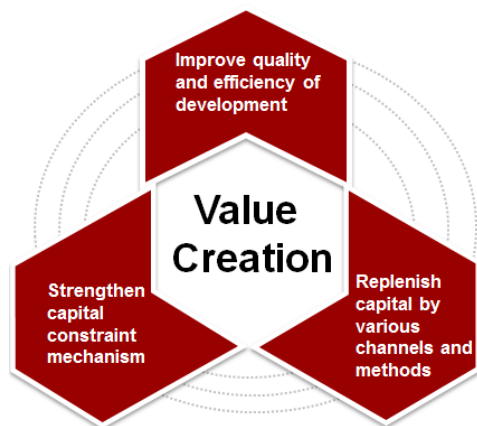


■ Domestic RMB personal deposits
— % of domestic RMB deposits

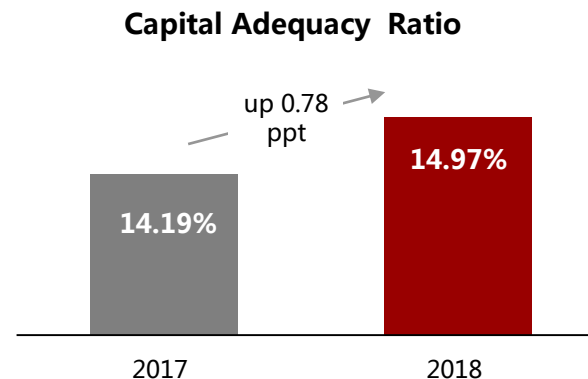


Capital level further improved

Optimized capital management



Increased capital adequacy ratio



Innovated capital instruments

Successfully issued capital instruments, the first of its kind among Chinese peers

- ◆ Issued **Preference shares** **2014**
- ◆ Created pricing model for issuance of **domestic tier-2 capital bonds**. Promoted market-making quotation, pledged Repo, hence increased liquidity of the Bank's capital instruments. Issued two batches of tier-2 capital bonds with total amount of RMB80 billion **2018**
- ◆ Issued **undated capital bonds** (AKA. perpetual bonds) with total amount of RMB40 billion, for replenishing the Bank's additional tier-1 capital **2019**

Pushed forward capital replenishment

Plan to issue

- ◆ Not more than **RMB120 billion preference shares**
- ◆ Not more than **RMB40 billion write-down undated capital bonds**
- ◆ Not more than **RMB70 billion qualified write-down tier-2 capital instruments**

*Note: Issue amount calculated in RMB or equivalent in foreign currencies;
Target markets include domestic and overseas markets*

Brand image promoted

Moved up **1** place to **3rd** in the
“Top 1000 World Banks”

The **Banker**

FitchRatings **MOODY'S**
INVESTORS SERVICE **S&P Global**
Ratings

Fitch/Moody's/S&P **upgraded** the Bank in terms of
VR/BCA/SACP and preference share ratings

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

Delivered all-round services to the first
China International Import Expo (CIIE)



- ◆ Served the CIIE both as its integrated banking service provider and as the account-opening bank and strategic partner for the China International Import Expo Bureau
- ◆ Deeply involved in attracting exhibitors and businesses, facilitated supply-demand matchmaking, successfully held themed events, and delivered all-round financial services

Continued to provide SME cross-border matchmaking services

Made solid progress in poverty alleviation

Supported to build China into an education power

Insisted on developing green finance

Supported the Beijing Winter Olympics
with financial service

- ◆ Served as the Official Banking Partner of the Olympic and Paralympic Winter Games Beijing 2022
- ◆ Spared no efforts to support the preparations for Beijing 2022 by providing all-around financial services for the games and carrying out marketing and promotion





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Progress in Strategy Implementation

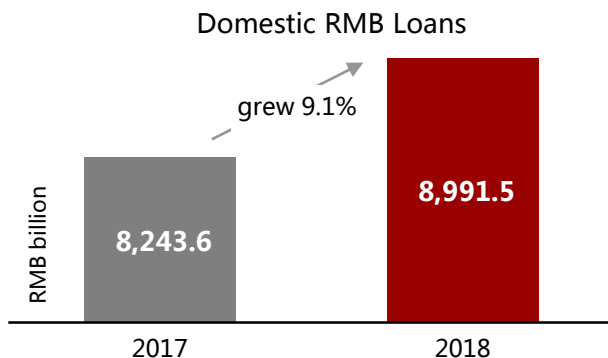
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2019 Key Tasks

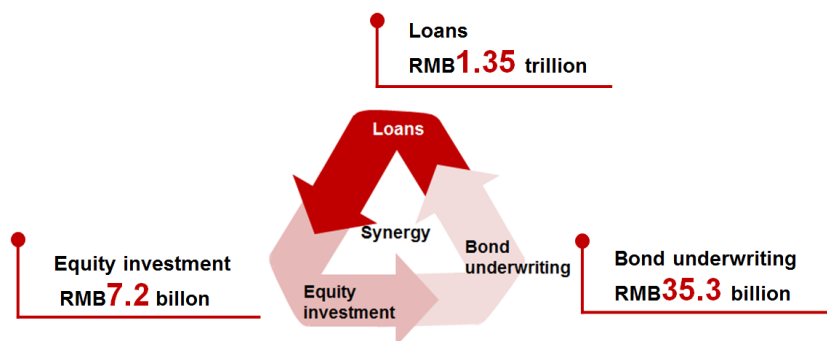


Devoted to improve the transmission mechanism of monetary policy, made solid progress in serving the real economy

Granted more loans



Actively served private enterprises
Issued the *Twenty Provisions on Supporting Private Enterprises*



Note: Loans and Bond underwriting were domestic commercial banking data. Equity investment were BOCG Investment data.

Served national strategy

- ◆ **Deeply implemented the requirements of supply-side structural reform.** New loans were mainly granted to infrastructure sectors with weakness to be strengthened. Strengthened support for the business development of strategic emerging sectors, such as advanced manufacturing, Internet Plus, and artificial intelligence
- ◆ **Continuously allocated more resources to key areas.** Loan proportion to key areas increased, including the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze Economic Belt, and the Hainan Pilot Free Trade Zone

Soundly served inclusive finance
Endeavored to build a system
with high quality and efficiency

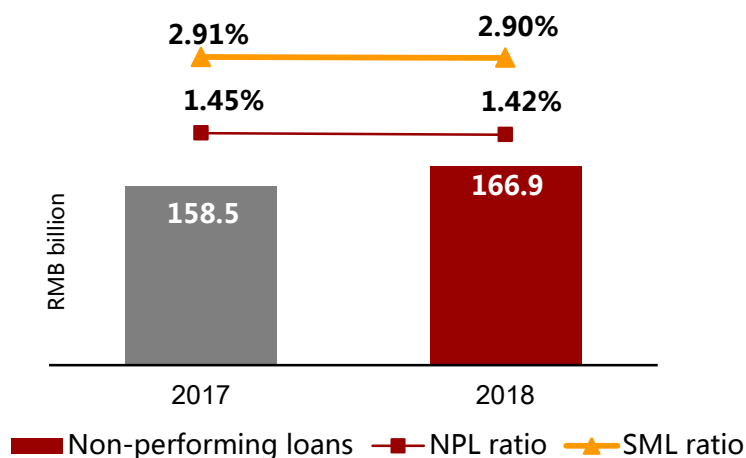
- ◆ Implemented **special resource allocation** for inclusive finance
- ◆ Refined **inclusive finance structure**, optimized **service mechanism**
- ◆ **Granted more loans.** Loan balance reached RMB304.2 billion
- ◆ Strengthened **risk management** and **compliance in operations**
- ◆ Actively implemented the **national strategy of rural revitalization**

Note: Inclusive finance loans granted to SMEs are measured in accordance with the Circular on Promoting the High-quality Development of Banks' Financial Services for SMEs in 2018 (CBIRC [2018] No. 29)

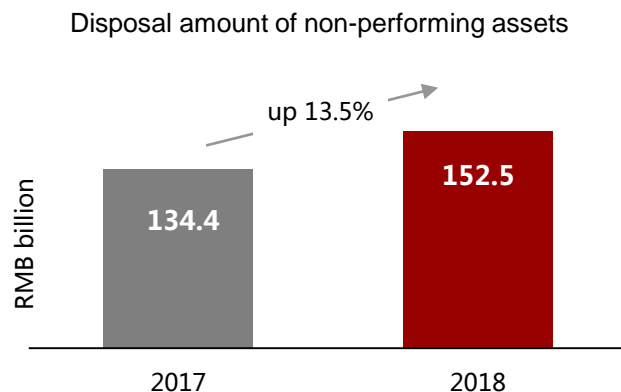


Devoted to forestall and defuse risks, firmly hold the bottom line for compliance in operations

Asset quality remained stable



Actively conducted NPAs disposal



Note: Domestic branches data

Strengthened overall risk management

◆ Credit risk

Continuously reinforced credit policy guidance and optimized credit structure. Initiated credit approval mechanism reform, optimized Group-level customer credit approval process. Reinforced customer concentration management and control, strengthened risk review in key areas, further step up the collection of NPAs, hence asset quality remained stable

◆ Market risk

Conducted forward-looking research and judgment regarding market risks and cross-financial risks, regularly executed risk forewarning and review on the Group's bond investment business. Sought to achieve currency matching between fund source and application and managed exchange rate risk through timely settlement and hedging, thus effectively controlled net foreign exchange exposure at a relatively low level

◆ Liquidity risk

Improved liquidity risk management in a forward-looking and scientific manner, liquidity risk in both RMB and foreign currencies remained stable and within control. Risk indicators, LCR and Liquidity ratio, improved significantly

◆ Internal control and operational risk

Improved the staff compliance archives, promoted application of operational risk management tools and strengthened risk monitoring and problem rectification. Continuously enhanced AML system building, improved customer due diligence and transaction monitoring, promoted system and model building so as to ensure the stable development and sustainable operation of the Group



Devoted to deepen reform and innovation, endeavored to improve governance system

Established the **Leading Group for Comprehensively Deepening Reform** coordinating and promoting overall deepened reforms

Optimized organization structure

- ◆ Optimized service structure and management model for customers, products and institutions. Refined the organizational structure of equity investment and comprehensive service management, transaction banking, and inclusive finance

Improved the mechanism for incentives & constrains

- ◆ Emphasized benchmark towards the market and the principle of value creation
- ◆ Implemented five-year thorough personal appraisal for high-ranking employees, comprehensively evaluated the value contribution and performance sustainability

Improved the Group's governance system

- ◆ Implemented the four '50 Rules' concerning the grassroots management of domestic operations, the overseas institutions compliance, the integrated operating enterprises, and the head office departments. The Group's governance system was further improved



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Prominent results emerged from strategy of enabling advancement through technology

Enable advancement through technology

Drive development through innovation

Deliver performance through transformation

Enhance strength through reform



- ◆ Achieved **unified systems, centralized deployments** and **integrated operation** around the world
- ◆ Completed the three platforms of **private cloud, big data** and **AI**
- ◆ Launched a string of key projects including the **smart investment advisor, smart customer service, smart risk control** and **quantitative transaction**
- ◆ Ranked **2nd** in the number of Fin-tech invention patent applications in the global financial industry

Mobile Banking

- ◆ Provided over **200** kinds of financial services. Enriched **internet finance product lines**, offered star products such as online payment, financial supermarket, BOC E-Credit, etc.
- ◆ Improved the **intelligent service levels**. Introduced new features including customized services, smart investment advisor, smart anti-fraud, facial recognition and authentication, oral recognition search, etc.
- ◆ Established **BOC Live Platform**, creating a new interactive pattern with customer
- ◆ Upgraded **overseas version** for new functions



Registered customers exceeded 145 million, up **26%** yoy. Monthly active users increased substantially



Transaction amount reached RMB20.03 trillion, grew **83%** yoy

Transaction Banking

- ◆ Set up **the Global Transaction Banking Department**
- ◆ Researched and developed the **Intelligent Transaction Banking Platform**
- ◆ Provided **integrated, scenario-based, and smart** transaction banking services for corporate banking customers

Smart Counter

- ◆ Outlet coverage ratio reached **100%**
- ◆ Major categories of service scenarios went online, forming a sound and completed **personal finance service system**
- ◆ Served over **100 million** customers
- ◆ Number of monthly transactions amounted nearly **36 million**
- ◆ Launched **mobile counters** and the **cash version of smart counters**

Established a **smart service system** integrating corporate and personal, cash and non-cash, resident and non-resident, counter and over-the-counter services



Rapidly advanced strategy of driving development through innovation

Enable advancement
through technology

**Drive development
through innovation**

Deliver performance
through transformation

Enhance strength
through reform

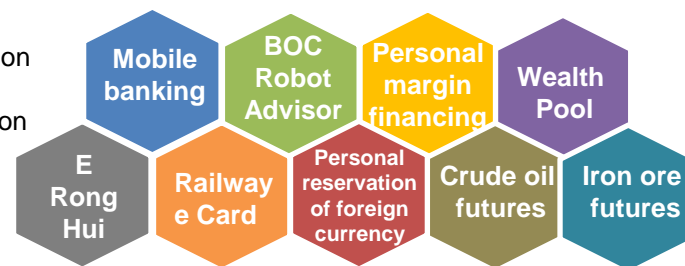


Products

- Promoted a three-level innovation management system, established Innovation and Product Management Committee and opened the first Head Office-level innovation and R&D base in Singapore
- Numbers of innovated products went up



126% yoy



Channels



Customers

Numbers of active personal customer grew **19.73** million

Personal deposits grew RMB **475.2** billion

**Personal
Banking**

**Corporate
Banking**

Numbers of corporate customer increased around **275,000**

Corporate deposits grew by RMB **388.9** billion



Made satisfactory progress towards the strategy of delivering performance through transformation

Enable advancement
through technology

Drive development
through innovation

**Deliver performance
through transformation**

Enhance strength
through reform

Globalized business

- ◆ **Further improved global service network.** Overseas institutions covered **57** countries and regions, including **24** countries along the Belt and Road, kept leading Chinese peers
- ◆ **Continuously provided financial services for Belt & Road Initiative.** Granted more than **USD130 billion** of credit support accumulatively, and issued Belt and Road-themed bonds with a total amount equivalent to over **USD10.8 billion**
- ◆ **Steadily Promoted RMB internationalization.** Became authorized as the RMB clearing bank in Japan. Cross-border RMB clearing and settlement transaction amounts maintained **1st** place in the global market
- ◆ **Kept leading the market with landmark products.** Remained the **top** mandated arranger in terms of loan amount in the Asia Pacific (excl. Japan) syndicated loan market, and maintained the **leading market share** in offshore bond underwriting, cross-border RMB and foreign currencies centralized operation

Integrated services

- ◆ **Earnings of integrated enterprises grew rapidly.** Profit before tax of non banking business reached RMB14.2 billion, **up 15.0%** yoy, making bigger contribution to the Group
- ◆ **Added integrated operation licenses.** Pushed forward the establishment of **financial leasing company**, and was authorized to set up **WMP subsidiary**
- ◆ **Established the Equity Investment and Subsidiary Management Department** to strengthen Group-level management over integrated enterprises
- ◆ **Emphasized cooperation of commercial banking and integrated enterprises.** Products of BOCIM, BOCI China, BOC Insurance, BOC-Samsung Life, BOCI Futures were launched on BOC Mobile Bank

Asset-light operation

- ◆ **Contribution of personal banking steadily increased.** Proportion of personal deposits and personal loans grew **1.0 ppt and 1.7 ppts** respectively, compared with the end of last year
- ◆ **Realized rapid growth in capital-light businesses such as global market agent and debt capital market.** Continued to outperform peers in market share of foreign currency exchange against RMB business, and increased total number of tradable foreign currencies to **63**. Moved 2 places up to rank the **4th** in underwriting debt financing instruments for non-financial institutions in the China interbank bond market. Gained the **1st** market share as an underwriter of Chinese enterprises' offshore G3 currency (USD, EUR and JPY) bonds
- ◆ **Made breakthrough in custody business marketing.** Became **the first Chinese commercial bank to obtain the pilot depository qualifications for Chinese Depository Receipt (CDR)**, and the first Chinese bank qualified to conduct custody business in the UK. **Became qualified to act as a trustee of enterprise annuity funds.** Achieved custody qualification for **the first** local government debt ETF
- ◆ **The Group's risk weight declined 2.1 ppts**



Steadily implemented the strategy of enhancing strength through reform

Enable advancement
through technology

Drive development
through innovation

Deliver performance
through transformation

**Enhance strength
through reform**

- ◆ Implemented **the four '50 Rules'** concerning the grassroots management of domestic operations, the overseas institutions compliance, the integrated operating enterprises, and the head office departments. The Group's governance system further improved
- ◆ Refined the organizational structure of **equity investment and comprehensive service management, transaction banking, and inclusive finance**
- ◆ Improved the management mode for **key province-level city branches**

**Reform
of
Organi
zation**

**Reform
of
Mecha
nism**

- ◆ Reformed the mechanism for **incentives & constrains** and **resource allocation**. Emphasized benchmark towards the market and the principle of value creation
- ◆ Improved the **performance assessment** system
- ◆ Reformed allocation mechanism for **staff costs** to emphasize long-term performance

- ◆ Promoted propaganda, delivery and implementation of the **New Strategy**
- ◆ Improved **brand management system** for integrated operations of domestic and overseas branches

**Reform
of
mind-
set**

**Reform
of
talents**

- ◆ Made plans for **talent cultivation** and **educational training**
- ◆ Reinforced the development of **professional personnel resources**, provided smooth development access for talents
- ◆ Enhanced salary incentive measures, piloted **profit sharing** and **investment bank characteristics salary** in key business areas

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2019 Key Tasks

Build a world-class bank in the new era

Focus on **serving the real economy** and improve development quality and efficiency

Focus on **infrastructure constructions** and solidify development foundation

Focus on **strengthening advantages and characteristics** and enhance synergy and cohesion within the Group

Focus on **forestall and defuse financial risks** and safeguard the development bottom line



Create greater value for shareholders, customers, employees and society

Q & A

Financial Highlights

Profit & Loss Summary

(RMB million)	2018	2017	Change
Net interest income	359,706	338,389	6.30%
Non-interest income	144,100	145,372	-0.87%
Net fee and commission income	87,208	88,691	-1.67%
Operating income	503,806	483,761	4.14%
Operating expenses	-176,979	-173,859	1.79%
Impairment losses on assets	-99,294	-88,161	12.63%
Operating profit	227,533	221,741	2.61%
Profit before income tax	229,643	222,903	3.02%
Profit after-tax	192,435	184,986	4.03%
Profit attributable to equity holders of the Bank	180,086	172,407	4.45%
EPS (basic, RMB Yuan)	0.59	0.56	4.61%
Key financial ratios(%)			
ROA	0.94	0.98	-4bps
ROE	12.06	12.24	-18bps
Net interest margin	1.90	1.84	6bps
Cost to income ratio ¹	28.09	28.34	-25bps
Credit cost	0.95	0.81	14bps

Balance Sheet Summary

(RMB million)	2018.12.31	2017.12.31	Change
Total assets	21,267,275	19,467,424	9.25%
Loans, gross	11,819,272	10,896,558	8.47%
Investments	5,054,551	4,554,722	10.97%
Total liabilities	19,541,878	17,890,745	9.23%
Due to customers	14,883,596	13,657,924	8.97%
Capital and reserves attributable to equity holders of the Bank	1,612,980	1,496,016	7.82%
Net asset per share (RMB Yuan)	5.14	4.74	8.38%
Key financial ratios(%)			
Common equity tier 1 CAR ²	11.41	11.15	26bps
Tier 1 CAR ²	12.27	12.02	25bps
CAR ²	14.97	14.19	78bps
NPL ratio	1.42	1.45	-3bps
NPL coverage ratio	181.97	159.18	22.79ppts

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.