



北京 2022 年冬奥会官方合作伙伴
Official Partner of the Olympic Winter Games Beijing 2022

Forging Ahead with the Goal of Building a World-class Bank in the New Era

2019 Annual Results

March 27th, 2020



Forward-looking Statement Disclaimer

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Agenda

01

2019 Operating Results

02

**Progress in Strategy
Implementation**

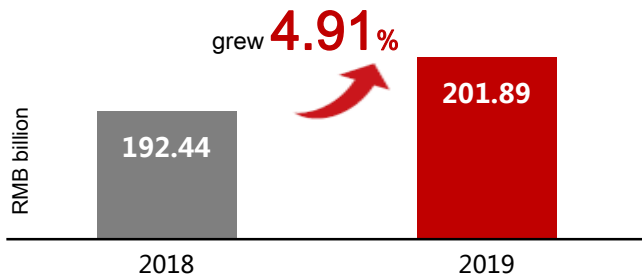
03

Key Tasks for 2020

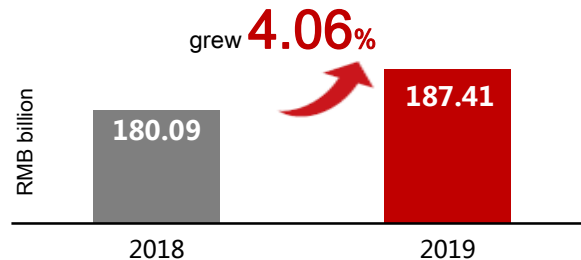


Operating business delivered solid progress

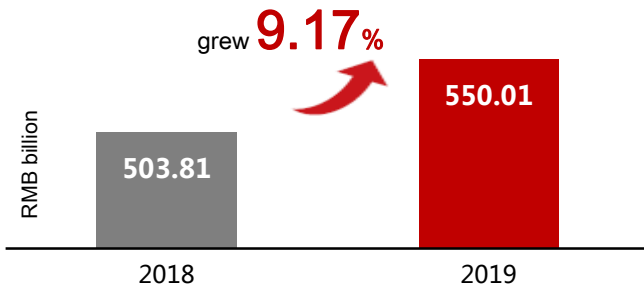
Profit after-tax



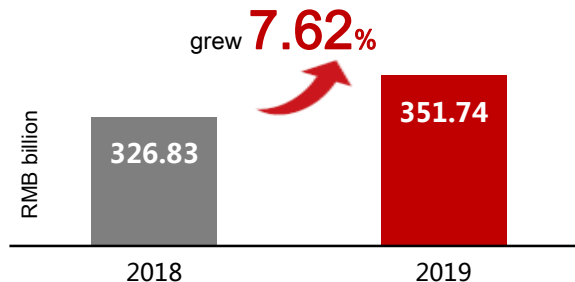
Profit attributable to equity holders of the Bank



Operating income



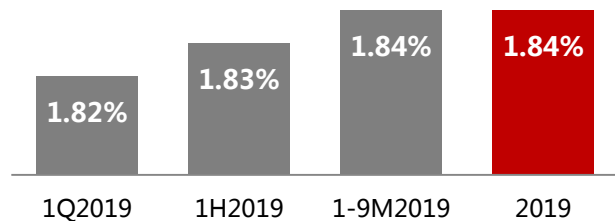
Pre-provision operating profit



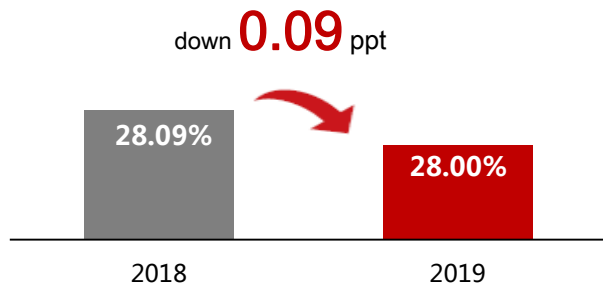


Core financial indicators improved steadily

Net interest margin maintained stable trend

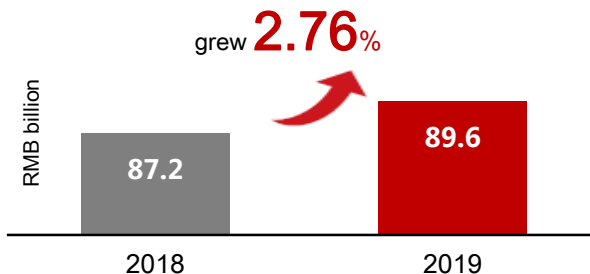


Cost to income ratio declined modestly



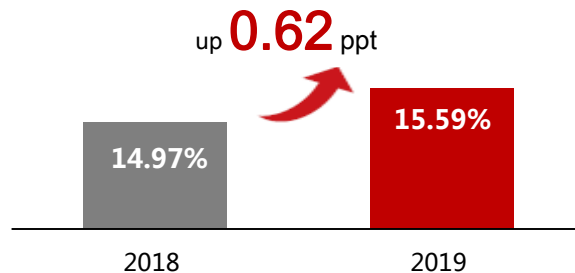
Note: Cost to income ratio is calculated under domestic regulations

Fee income increased steadily



Note: Net fee and commission income

Capital adequacy enhanced robustly

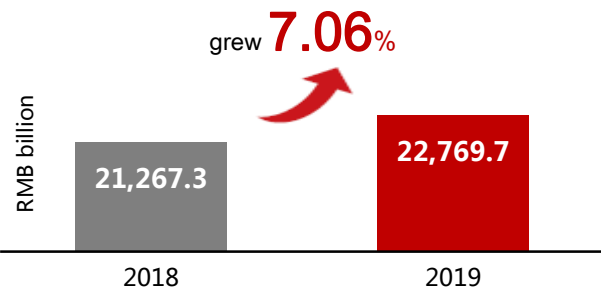


Note: Capital adequacy ratio

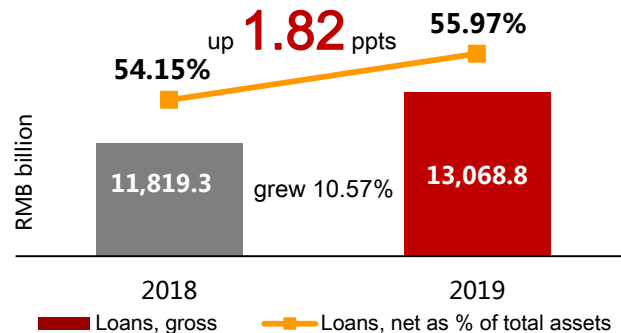


Asset structure continuously optimized

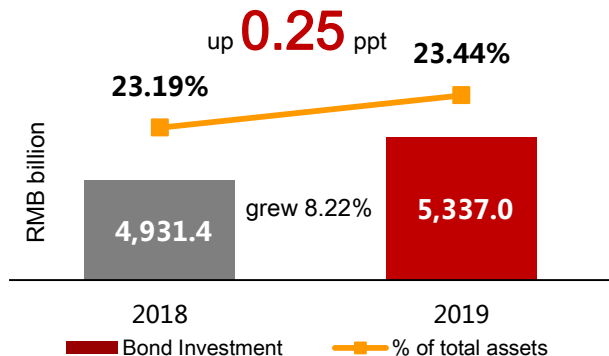
Assets grew prudently



Proportion of loans increased



Proportion of bond investment increased



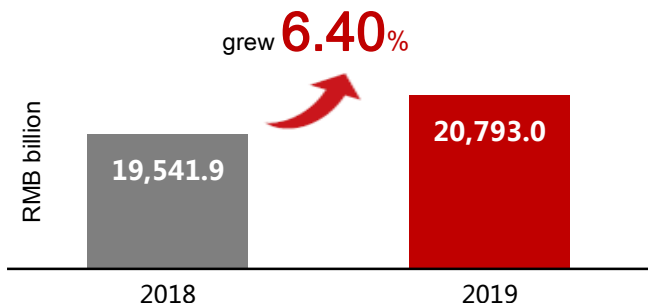
Loan structure optimized

- ◆ Increased credit support for infrastructure, advanced manufacturing, modern services, technological innovation enterprises, green credit, consumer finance, etc.
- ◆ Proportion of loans granted to overcapacity industries and coal industry decreased
- ◆ Proportion of medium- and long-term loans increased

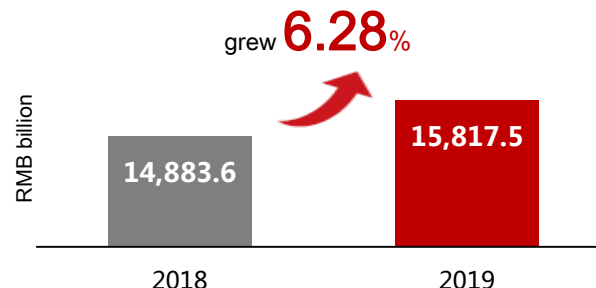


Liability development continuously promoted

Liabilities grew steadily



Deposits increased soundly

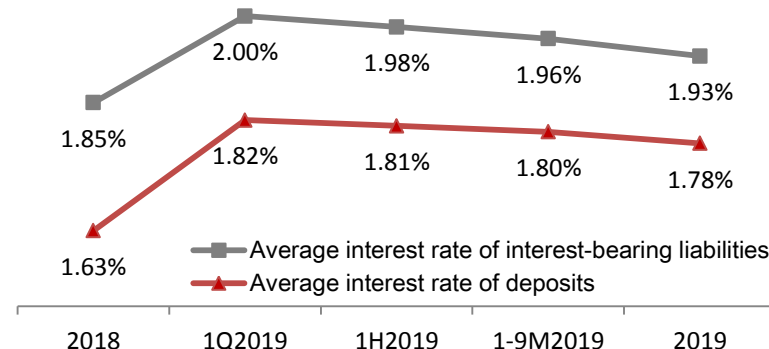


Customer base solidified firmly

Corporate		Personal	
Number of customers	↑16.1%	Number of effective customers	↑8.7%
RMB corporate bank settlement accounts	↑13.4%	Number of customers of payroll agency service	↑7.6%
Number of cash management customers	↑12.2%	Number of BOC group private banking customers	↑17.5%

Note: domestic data except BOC group private banking customers

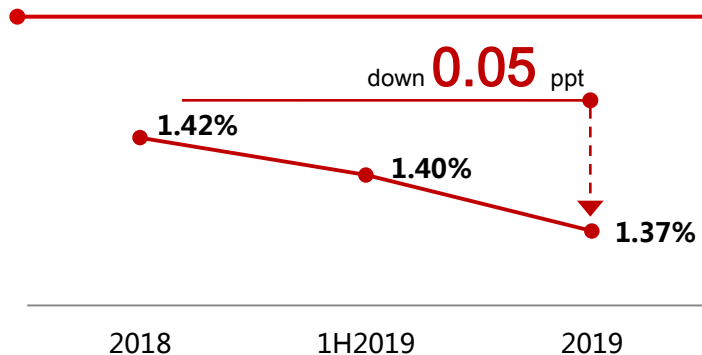
Funding costs were controlled effectively



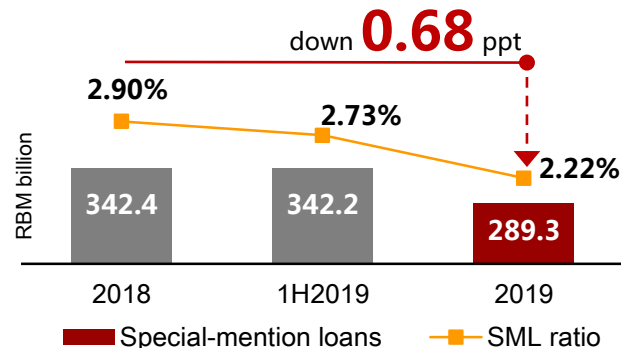


Asset quality remained stable

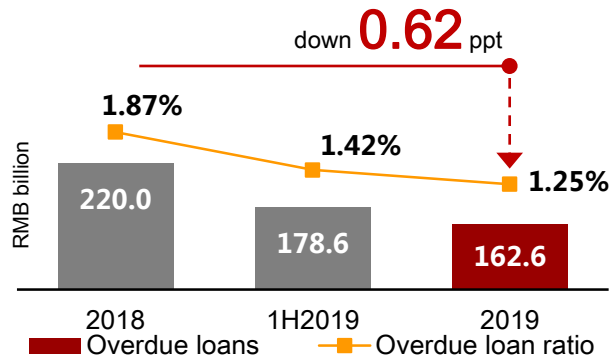
NPL ratio declined



Special Mention loan balance & ratio both declined



Overdue loan balance & ratio both declined



Credit risk indicators kept positive trend

- ◆ Scissors difference between overdue loans and NPLs remarkably shrank to **RMB -15.6 billion**
- ◆ Proportion of ≥ 90 days-overdue loans to NPLs shrank to **56.0%**, down 25 ppts from the prior year-end
- ◆ NPL coverage ratio increased to **182.86%**, up 0.89 ppt from the prior year-end



Market position continued to enhance

S&P Global
Ratings

MOODY'S
INVESTORS SERVICE

FitchRatings



S&P **upgraded** the Bank's stand-alone credit profile (SACP) and preference share rating

Fitch **upgraded** the Bank's short-term Issuer Default Rating (IDR)

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

Ranked **4th** in Top 1,000
World Banks by *The Banker*

The Banker

Ranked **8th** in Global 2000 by
Forbes, up 1 notch over the
previous year



**World's Best Bank in the
Emerging markets** by *Euromoney*

EUROMONEY

Served society with financial capacities

◆ Poverty alleviation

Continued to carry out targeted poverty alleviation, focused on poverty alleviation through industrial development, enriched the models of poverty alleviation through financial services, granted RMB117.3 billion poverty alleviation loans, purchased and facilitated the sales of RMB180 million worth of agricultural products from poverty-stricken regions, and helped to eliminated poverty in the four impoverished counties of north Xianyang, Shaanxi

◆ Corporate culture and consumer protection

Set up the Corporate Culture and Consumer Protection Committee under the Board of Directors, which is responsible for the corporate culture fostering, consumer rights protection, and ESG (Environmental, Social and Governance) related affairs, etc.

◆ China International Import Expo (CIIE)

As the sole strategic partner of the second CIIE, deeply participated in exhibitor and business attraction, actively promoted supply-demand matchmaking, successfully held themed activities and provided comprehensive financial services

◆ Beijing 2022 Olympic and Paralympic Winter Games

As the official banking partner of Beijing 2022 Olympic and Paralympic Winter Games, spared no effort to deliver financial services for the event, supported the development of winter sports industry, intensified FinTech innovation to build up a high-tech-based Olympics, carried out online and offline publicity campaigns and encouraged 300 million people to embrace winter sports



Agenda

01

2019 Operating Results

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**Progress in Strategy
Implementation**

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Key Tasks for 2020



Launched in-depth reform on all fronts

2019

Group Reform

Made
all-out efforts

Achieved
breakthroughs



25 major reform projects



86 specific tasks

Stimulate **New Vitality**

- Built the “Strong Headquarter”
- Deepened the reform of human resources management
- Reformed the organizational structure of the personal banking line
- Established BOC Research Institute

Foster **New Momentum**

- Strengthened strategic layout in key regions
- Accelerated scenario ecosystem building
- Launched business integration of overseas institutions
- Optimized integrated operations layout

Achieve **New Breakthroughs**

- Optimized corporate credit management system
- Established industry planning research center
- Implemented reform of data governance system

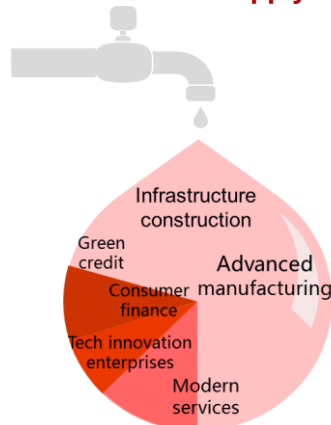


Achieved notable results in serving the high-quality development of economy

Constantly increased resource input

- **Domestic RMB loan** balance grew RMB1.05 trillion, up **11.7%** from the end of last year
- **Local government bonds** balance grew RMB221.5 billion, up **13.4%** from the end of last year

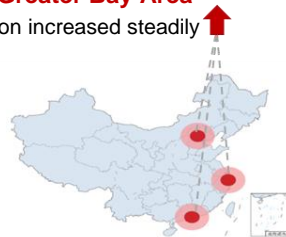
Optimized financial supply



Earnestly implemented strategies for regional coordinated development

Yangtze River Delta, the Beijing-Tianjin-Hebei region and the Guangdong-Hong Kong-Macao Greater Bay Area

Loan proportion increased steadily ↑



Yangtze River Delta: Strengthened the Shanghai RMB Trading Unit and became the first bank to launch the **Comprehensive Financial Service Plan for Yangtze River Delta Integration**

Beijing-Tianjin-Hebei Region: Proactively served the coordinated development of the Beijing-Tianjin-Hebei region and the construction of the Xiongan New Area, and made progress in cross-border projects including the **Xiongan-Hong Kong Fund** and the **Xiongan-Macao Fund**

Guangdong-Hong Kong-Macao Greater Bay Area: Issued the *Plan for Business Development in Greater Bay Area*, fully supported to build Shenzhen into a demonstration pilot zone for socialism with Chinese characteristics, promoted the development of Macao business as "One Body with Two Wings", and **maintained a leading market share** in the Greater Bay Area

Soundly served inclusive finance

- Inclusive finance loan balance under CBIRC regulation reached RMB412.9 billion, up **38%** from the prior year-end
- Number of customers was nearly 0.4 million, higher than the year beginning
- Overall financing cost modestly declined
- Asset quality maintained stable
- **Qualified for 0.5ppt and additional 1ppt RRR cut in 2020**
- Developed **online financing product** 'BOC Corporate E Loan – Unsecured Loan', launched 'BOC Corporate E Loan – Business Loan'
- BOC Fullerton Community Bank actively implemented the national strategy of rural revitalization, loan balance reached RMB**44.5** billion
- Held a total of **61** SME cross-border matchmaking events to date



Actively served private enterprises

- Private enterprises loan balance reached RMB1.64 trillion, up 13.3% from the prior year-end
- Granted RMB**1.96** trillion new loans in 2019, accounting for 36.8% of total new corporate loans, up **2.2** ppts over last year



- Broadened financing channels for private enterprises, underwritten RMB**33.6** billion private enterprises bonds, up **72.5%** yoy



Accelerated digitalized transformation

Scenario building as breakthrough point
Enterprise-level architecture
building as focus
Smart operation as support

Accelerate
transformation

Digitalized



Online-based

Asset-Light

FinTech system and mechanisms innovation

Infrastructure project construction

Digitalization in key business fields

- Set up **BOC Finance Technology Co., Ltd.**
- Established **several joint laboratories**, and signed strategic cooperation agreements with well-known enterprises, industry think tanks and colleges
- Promoted the construction of **innovative R&D bases** in the Xiongan New Area, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area
- Boosted the application of new technologies such as **5G, Internet of Things, Block-chain and Virtual Reality**
- Invested RMB**11.65** billion in information technology in 2019, accounting for approximately **2.1%** of operating income

- Promoted the layout of **new-generation multi-center infrastructure in multiple locations**, and established an agile and efficient **cloud service mode**
- Deepened the building of the three new technology platforms of **Cloud Computing, Big Data and AI**, and developed a cloud computing-based model of integrated enterprise-level for development, testing, and operation & maintenance
- Launched the **Big Data Platform**
- Promoted the **enterprise-level AI platform "BOC AI Brain"**

- Built a **digital channel operation system** with mobile banking, smart counters and smart customer services as the core
- Launched the first phase of **BOC Intelligent Global Transaction Banking service platform** ("iGTB platform")
- Implemented **digital risk control projects** in areas such as smart risk control, anti-money laundering and internal control
- Became the first bank to launch a **blockchain bond project**
- Strived to build the four strategic scenarios of **cross-boarder, education, sports and silver economy**



Speeded up digitalized transformation of personal banking business

- Following the principle of "Mobile First" to establish an agile front office
Released Mobile Banking Version 6.0, realized over **300** improvements in terms of functionalities, user experience, scenarios, technological application, etc., and boosted the transformation of mobile banking from a transaction platform to a **integrated service platform**. At the end of 2019, registered users reached **181 million**, up **24.4%** from the end of last year, monthly active customers grew **48.7%** from prior year end. Transaction amount in 2019 totaled **RMB28.28 trillion**, up **41.2%** yoy
- Following the principle of "Intelligent First" to establish a centralized middle office
Launched the "income/expenses recording" function in the **digital account books**. Introduced the **personal customer rights protection system**. BOC Robot Advisor, a smart investment advisor product, recorded a transaction volume of **RMB12.3 billion** and attracted a total of over **100 thousands** customers
- Following the principle of "Automatic First" to establish an efficient back office
Enhance digitalized risk control capabilities, and implemented an **anti-fraud on-going risk control platform at the enterprise level**. Became the first bank to promote "**Cellphone Shield**", a mobile banking-oriented digitalized authorization tool, making fund transfer through mobile banking much easier and safer. Enhanced data integration capability, realized rapid growth of data scale in big data platform, fostered modelling capability in data sandbox and created **1,894** customer tags, thus enabling personal banking business to utilize data in an automatic, visualized and mobile manner



Enhanced digitalized outlets

- Built "5G Intelligence + Brand" outlets, launched the "**BOC 5G Intelligence + Life House**" and "**BOC 5G Intelligence + Livelihood House**"
- Comprehensively pushed forward the transformation of outlets with smart counters as the core, enhanced outlets' value-creating capacity. Completed **18** upgrades of smart counters in 2019, promoted new service such as **mobile version** and **cash version** of smart counters across the Bank, improved the offline smart service system, and made the smart counter a main channel for customer attraction and service in outlets
- Launched the pilot smart counter in Macao Branch, taking the first step of overseas smart outlets building



Pushed forward globalization development



Continuously improved overseas network and enhanced global service capability

Improved global service network

- Overseas institutions covered **61** countries and regions
- Including **25** countries along the Belt and Road

Supported Belt and Road Initiative

- Accumulatively followed up with over **600** Belt and Road projects
- Provided over USD**160** billion credit support

Launched business integration of overseas institutions

Continuously **improved regional management** and **intensive development**

Enhanced global online financial service capabilities

- Offered overseas corporate online banking services in **46** countries and regions, with 14 available languages
- Provided overseas mobile banking services in **27** countries and regions, supporting 10 languages

Led peers in terms of overseas business contribution

- Proportion of overseas assets reached **26.0%**
- Proportion of overseas profit before tax reached **28.9%**



Leading traditional business market



Newly-developing business highlights

- Launched the "Account Opening Witness" service in the Guangdong-Hong Kong-Macao Greater Bay Area
- Launched the "Cross-border Wallet" payment service for Macao residents
- Became the first Chinese bank to serve as a central clearing member of the London Clearing House
- Served as the sole settlement bank for the comprehensive promotion phase of H-share full circulation
- Participated in the interconnection of the Shanghai Gold Exchange and Chicago Mercantile Exchange (CME)



Improved integrated operations steadily

Value contribution



- ◆ **Integrated operations realized rapid growth and became an important engine for the Group's revenue growth.** Integrated business enterprises continued to make income and profit contribution to the Group with relatively low capital occupation and high capital return
- ◆ **Revenue** of major integrated business enterprises grew 34.8% yoy, contributed **9.27%** to the Group, up 1.76 ppts yoy
- ◆ **Profit before tax** of major integrated business enterprises grew 18.3% yoy, contributed **5.47%** to the Group, up 0.42 ppt yoy

Function contribution



Coverage of integrated financial services led peers	Competitiveness of integrated financial products enhanced	Synergies of integrated operations became more coordinated
<p>◆ Expanded business range of integrated operations: Established BOC Finance Technology Co., Ltd. and BOC Wealth Management Co., Ltd., obtained approval for the establishment of financial leasing company and China's first wealth management Sino-foreign joint venture</p> <p>◆ Enriched financial services system: Services and products cover investment banking, asset management, insurance, direct investment, debt-for-equity swaps, aircraft leasing, consumer finance, FinTech, etc.</p>	<p>◆ Investment banking: BOCI was the only Chinese investment bank mandated to assist Saudi Aramco Oil Company's IPO, the biggest IPO ever in global capital markets</p> <p>◆ Wealth management: Balance of WMP issued by BOC and BOC Wealth Management Co., Ltd. amounted to RMB1,427.7 billion at the end of 2019. Promoted the transformation and development of wealth management business, enriched product lines and the scale of NAV products steadily increased</p> <p>◆ Fund: AUM of non-monetary public funds ranked No.1 among Chinese banks</p> <p>◆ Insurance: Net profit of domestic life insurance grew more than 50%, and premium income of domestic property insurance ranked higher position. Life and property insurance businesses in Hong Kong market kept a leading position</p> <p>◆ Direct investment: BOCG Investment's business covers private equity investment, fund investment and management, real estate investment and management and special opportunity investment. Its historical average internal rate of return (IRR) is higher than the median in the Asian market</p>	<p>◆ Supported the development of key national regions: BOCG Investment and BOC Shanghai Branch jointly established the BOC Yangtze River Delta Equity Investment Fund, with a total amount of RMB30 billion</p> <p>◆ Supported the development of enterprises on the Scientific and Technological Innovation Board: BOCI China and BOCIM jointly formed professional advantages in "investment banking + investment", and successfully launched the IPO of China Railway Signal & Communication Corp on the Science and Technology Innovation Board</p>

Brand contribution



- ◆ **BOC Aviation:** world's leading and Asia's largest aircraft operating leasing company, with stable operating results and increasing investor recognition
- ◆ **BOCI:** the earliest Chinese investment banking platform established in Hong Kong, with increasing international influence
- ◆ **BOCG Investment:** special platform of direct investment and asset management in Hong Kong
- ◆ **BOCI China:** successfully went public on the main board of SSE, and became the fourth listed company in the Group



Strengthened comprehensive risk management

Credit risk

Market risk

Liquidity risk

Internal control and operational risk

- ◆ Optimized the **corporate credit management system**, speeded up response to the market and customers, and strengthened the effectiveness of risk control
- ◆ Established **Industry Planning & Research Center** and made credit policy more forward-looking
- ◆ Focused on key areas and strengthened **potential risk control**
- ◆ Strengthened the **recovery and disposal of non-performing assets**
- ◆ Carried out smart risk control in an all-round manner to promote the **digitalized** transformation of risk management

- ◆ Strengthened the **Group's coordinated management of securities and asset management business risks**, continuously carried out investigation on bond default risk and strengthened early warning of risk events
- ◆ Timely adjusted asset and liability structure and pricing strategy according to market changes, and **controlled interest rate risk at a moderate level**
- ◆ Aimed to match the source of funds with the currency used in exchange rate risk management, and maintained the **net foreign exchange exposure at a low level** by means of exchange settlement and hedging

- ◆ Daily average **liquidity coverage ratio** (LCR) was **136.36%** in the fourth quarter
- ◆ **Net stable funding ratio** (NSFR) was **124.46%**
- ◆ **RMB and foreign currency liquidity ratio** (LR) were **54.6%** and **60.4%** respectively
- ◆ Quota management
- ◆ Risk warning
- ◆ Stress testing

- ◆ Improved **AML policies and rules**, optimized **resource allocation**
- ◆ Continuously improved the **compliance risk governance mechanism** and **management process**, cultivated the compliance culture, and ensured the stable development of the Group
- ◆ Continuously carried out **internal control governance**, and strengthened operational risk management and business continuity management



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Key Tasks for 2020



2020 Outlook

Year of Enhanced Implementation

Grasp development trends

Strengthen confidence for development



The world's profound changes unseen in a century



Overall strategy for the great rejuvenation of the Chinese nation



Deepen supply-side structural reform in the financial sector

Global economic development trend

- Increasing downward economic pressure due to the global spread of COVID-19 pandemics
- Increasing risk to financial system
- Adjustment and differentiation of international economic patterns

China's economic development trend

- China's economy is at the critical stage of transforming mode of development, improving economic structure and shifting drivers of growth
- Although the COVID-19 pandemic will have a short-term impact, fundamentals of China's long-term sound economic growth remain unchanged

Banking Industry development trend

- Scenario-based development trend for products and services
- Intense platform-based competition
- Accelerated two-way opening-up of the financial industry
- Continuous strengthening of financial supervision



Key tasks for 2020

Year of Enhanced Implementation

Stimulate vitality

Make agile response

Achieve breakthroughs
in key areas

Fortification

Improvement

Digestion

Penetration

Forging Ahead with the Goal of Building a World-class Bank in the New Era

4 key areas

Push
forward

Key Regional Business

Key Business Areas

Globalized Development

Integrated Operations

efforts

Fight

5 key battles

Technological Reform

Data Governance

Smart Operation and Outlet
Transformation

Scenario Development

Forestall and Defuse Risks

battles

Continuously generate greater value for shareholders, customers, employees and society

Q & A

Financial Highlights

Profit & Loss Summary

(RMB million)	2019	2018	Change
Net interest income	374,250	359,706	4.04%
Non-interest income	175,760	144,100	21.97%
Net fee and commission income	89,612	87,208	2.76%
Operating income	550,010	503,806	9.17%
Operating expenses	-198,269	-176,979	12.03%
Pre-provision operating profit	351,741	326,827	7.62%
Impairment losses on assets	-102,153	-99,294	2.88%
Profit before income tax	250,645	229,643	9.15%
Profit after-tax	201,891	192,435	4.91%
Profit attributable to equity holders of the Bank	187,405	180,086	4.06%
Dividend per ten shares (RMB Yuan)	1.91	1.84	

Key financial ratios(%)			
ROA	0.92	0.94	-2bps
ROE	11.45	12.06	-61bps
Net interest margin	1.84	1.90	-6bps
Cost to income ratio ¹	28.00	28.09	-0.09 ppt
Credit cost	0.80	0.95	-15bps

Balance Sheet Summary

(RMB million)	2019.12.31	2018.12.31	Change
Total assets	22,769,744	21,267,275	7.06%
Loans, gross	13,068,785	11,819,272	10.57%
Investments	5,514,062	5,054,551	9.09%
Total liabilities	20,793,048	19,541,878	6.40%
Due to customers	15,817,548	14,883,596	6.28%
Capital and reserves attributable to equity holders of the Bank	1,851,701	1,612,980	14.80%
Net asset per share (RMB Yuan)	5.61	5.14	

Key financial ratios(%)			
Common equity tier 1 CAR ²	11.30	11.41	-11bps
Tier 1 CAR ²	12.79	12.27	52bps
CAR ²	15.59	14.97	62bps
NPL ratio	1.37	1.42	-5bps
NPL coverage ratio	182.86	181.97	0.89 ppt

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.