



中國銀行

BANK OF CHINA



Delivering Growth and Excellence

Bank of China Limited

2010 Annual Results

March 25, 2011

Forward-looking Statement Disclaimer

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Presentation Team



Mr. Li Lihui, President



Mr. Zhou Zaiqun, Executive Vice President



Mr. Yue Yi, Executive Vice President

Agenda

Agenda

Speaker

1

**Key Performance Highlights &
Development plan**

Mr. Li Lihui, President

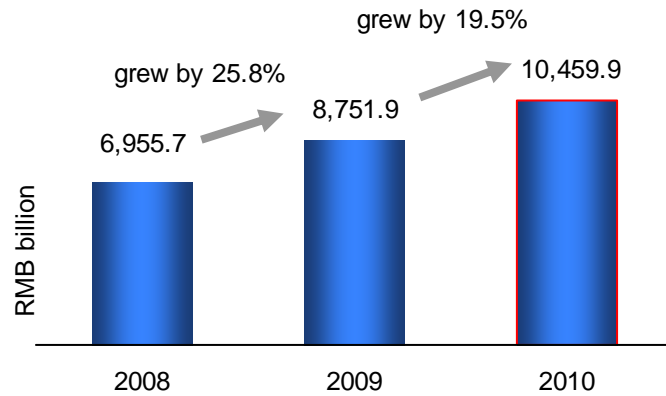
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2010 Annual Results & 2011 Outlook

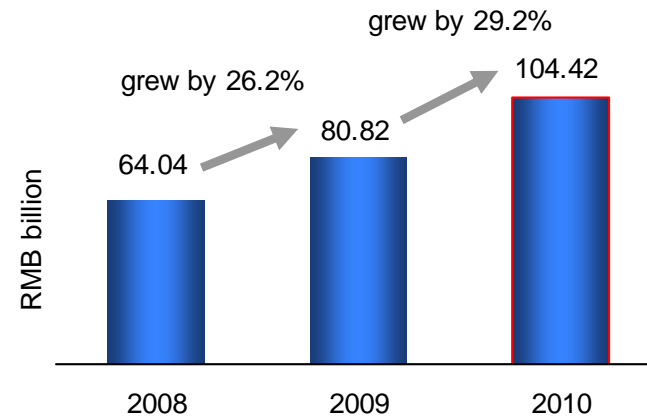
**Mr. Zhou Zaiqun,
Executive Vice President**

Outstanding Performance of 2010

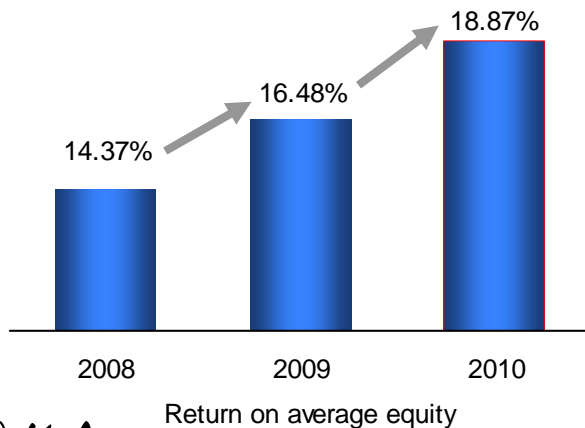
Total Assets exceeding RMB10 trillion



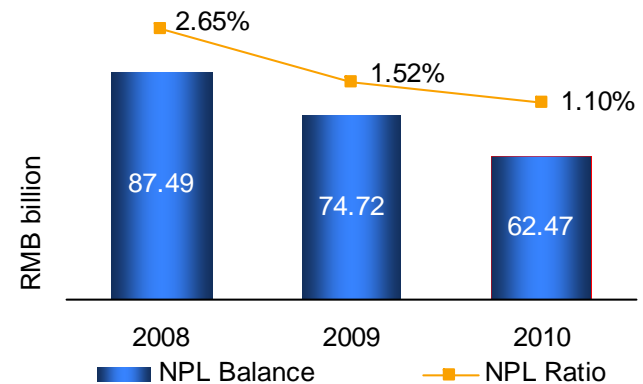
Profit attributable to equity holders exceeding RMB100 billion



Continuous growth in profitability

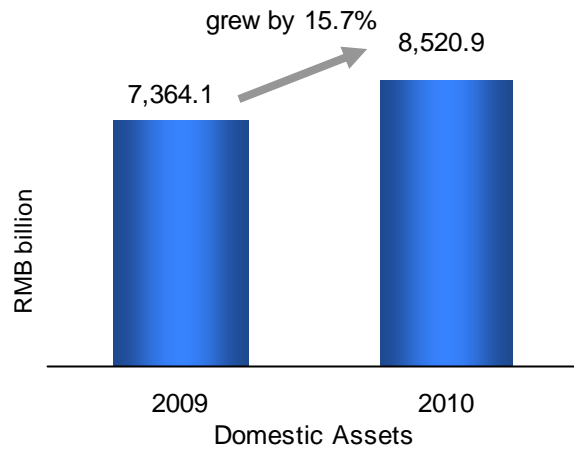


Constant improvement in asset quality

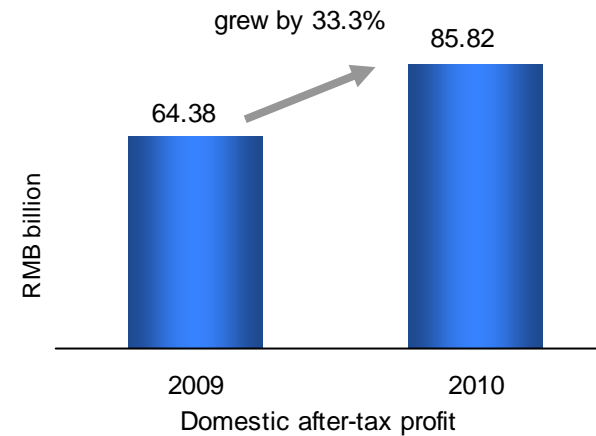


Strong Growth of Domestic Business

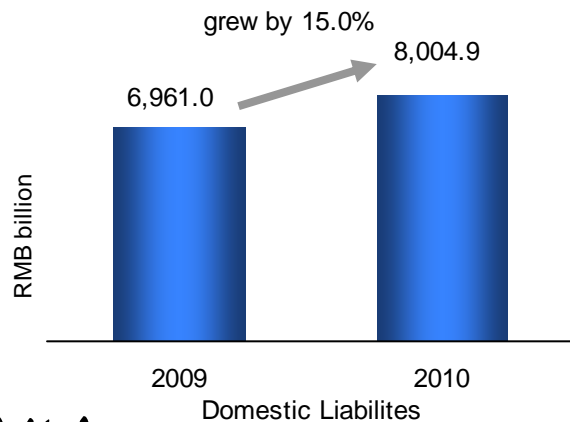
Domestic assets



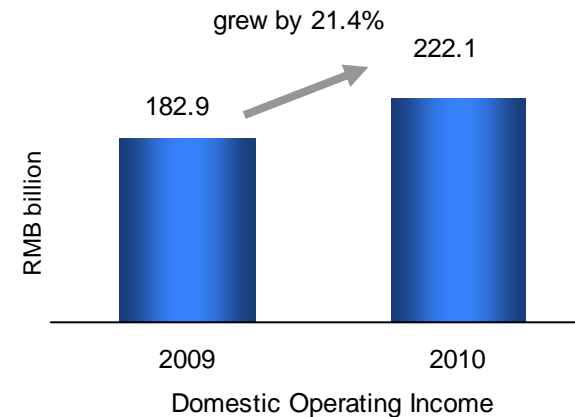
Domestic profit



Domestic liabilities

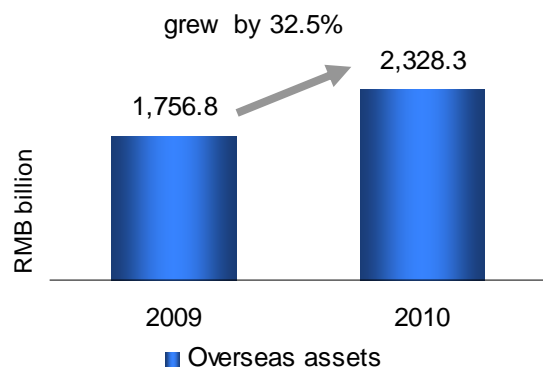


Domestic revenue

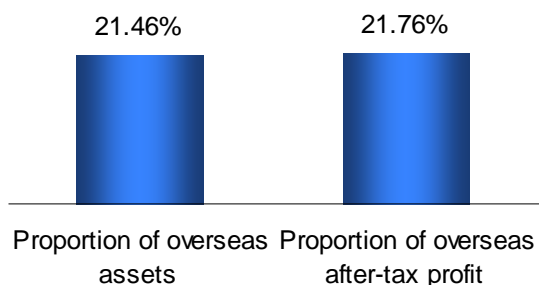


Competitive Advantages in Overseas Operations

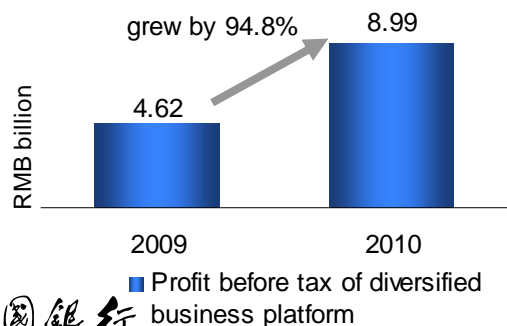
Rapid growth of overseas assets



Highest proportion of overseas business



Robust growth of diversified business platform



Fast expansion of overseas network

- ◆ 13 overseas outlets newly established, Taipei Representative Office opened
- ◆ Presence in Hong Kong, Macau, Taiwan and 31 countries and regions
- ◆ Network expansion in strategic regions accelerated
- ◆ “China Desk” model set up in correspondent banks

Leader in HK and Macau markets

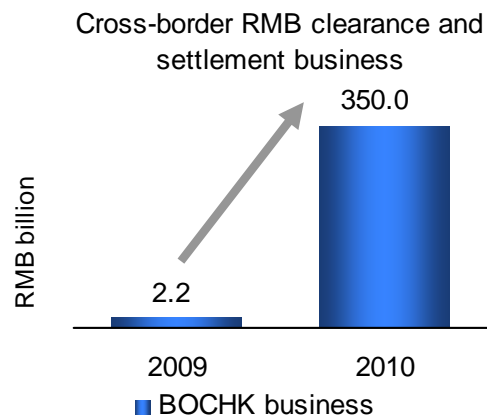
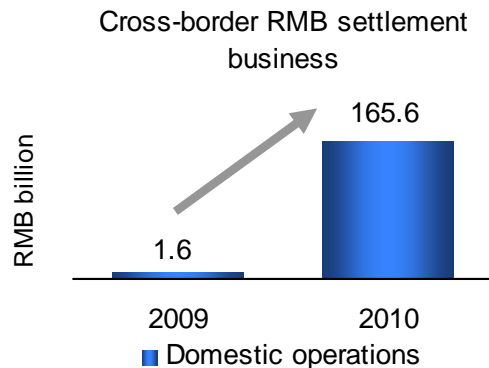
- ◆ Banknote issuer
- ◆ Dominant market position in a wide range of products and services
- ◆ Exclusive RMB clearing bank

Comprehensive global clearance network

- ◆ Tier-1 clearing bank in world major financial centers
- ◆ Extensive network of correspondent banks
- ◆ Overseas RMB clearance system continued to improve

Leading Position in Cross-border Business

Leading position in cross-border RMB business



Strong growth of overseas RMB business

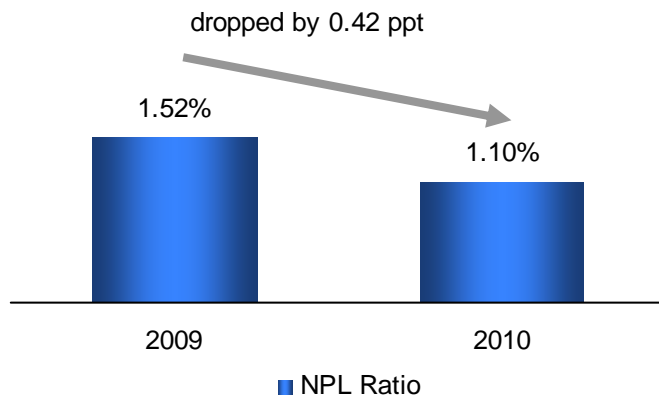
- ◆ **More comprehensive product range.** Cross-border settlement, Deposit, Exchange, Remittance, Cash, Payroll services, Clearance, Travel cheque, Bank card and Financing business including export buyer's credit and working capital loan
- ◆ **Expanding geographic coverage.** Extended to 70 countries and regions, across Asia-pacific, Europe, America and Africa
- ◆ **Improved clearance network.** 352 clearing accounts, account banks across 40 countries and regions, nominated as RMB clearing bank for Taiwan

Strong synergies within the Group

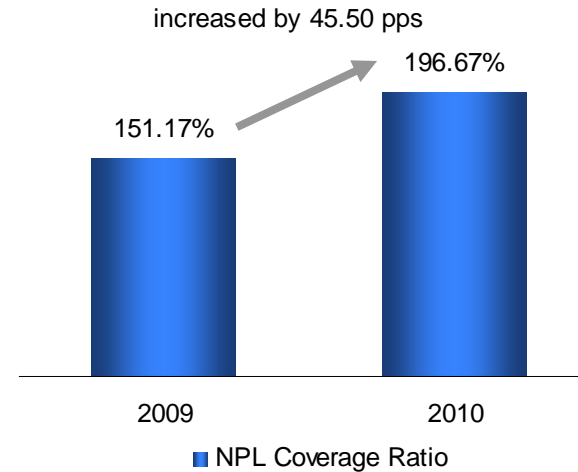
- ◆ Supported accumulative 1300 "Going Global" projects in aggregate USD190 billion, covering over 100 countries
- ◆ Accumulative lending of USD17.8 billion loans to overseas M&A projects
- ◆ Success in many big export buyer's credit projects
- ◆ BOCI, BOCGI and BOC Insurance provided financing, investment and insurance services to BOC's commercial banking clients

Asset Quality Continued to Improve

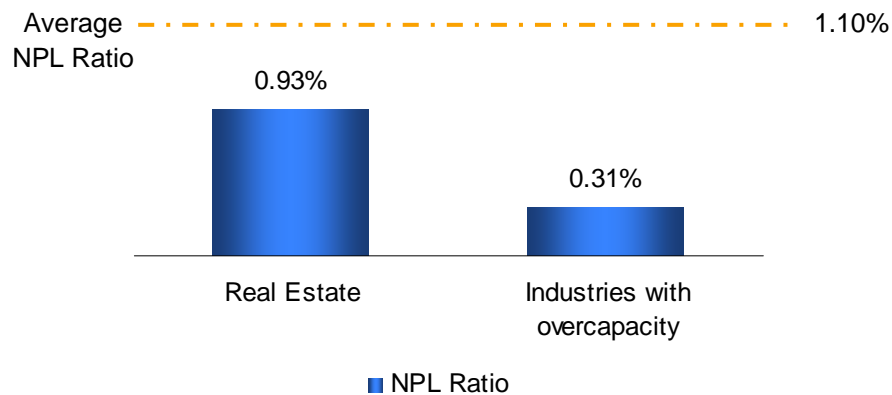
Group NPL ratio



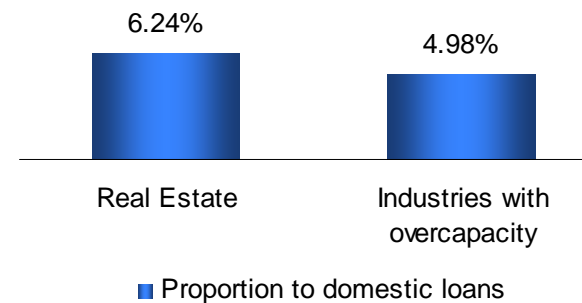
Group NPL coverage ratio



NPL ratio of key monitored industries



Proportion of key monitored industries



New Progress in Distribution Channel Construction

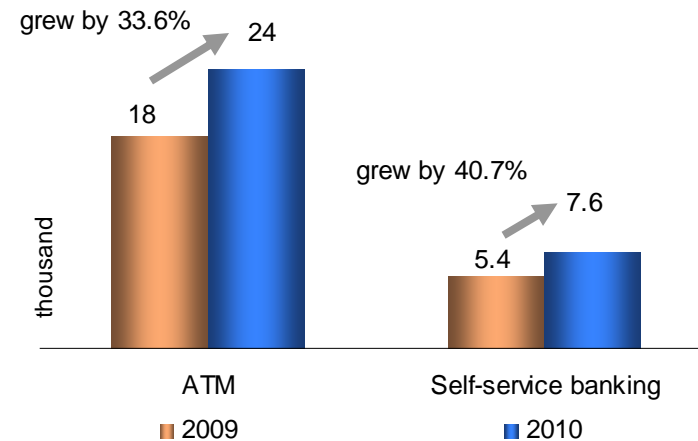
Intensify outlet transformation

- ◆ Business outlets standardization almost finished
- ◆ Ongoing middle and large full-function outlets consolidation
- ◆ Improved the sales and service capabilities of outlets for corporate clients
- ◆ Strengthened SME customers acquiring and maintenance
- ◆ Full-time lobby managers covered 96% of outlets

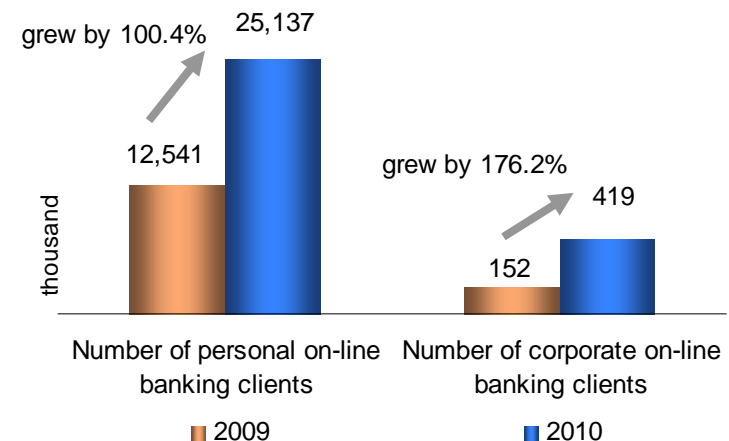
Optimised e-banking channels

- ◆ Overseas local online banking service covered 20 countries
- ◆ Cross-border corporate online banking service was available in 27 countries and regions
- ◆ 24-hour and multilingual tele-banking service
- ◆ Unified tele-banking system of 23 branches
- ◆ Newly introduced mobile banking service, including a WAP Version and a Client Version
- ◆ Home banking pilot programme in Hangzhou

Set up more self-service facilities

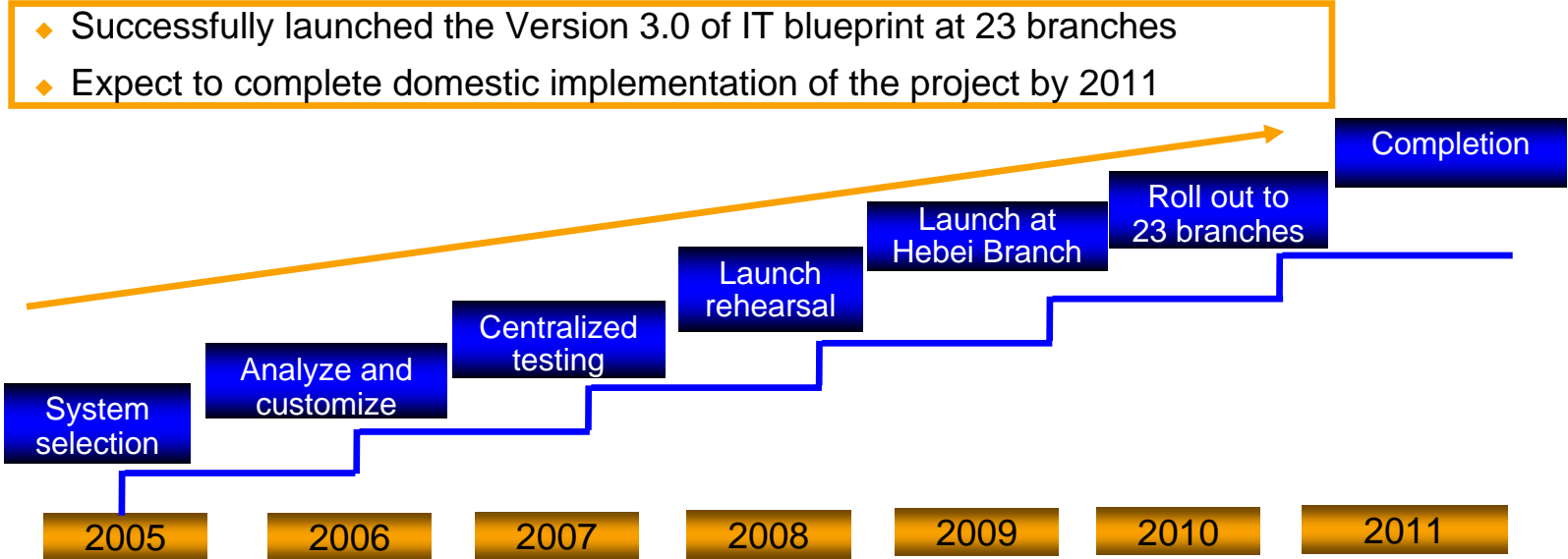


Rapid development of online banking service



IT Blueprint Implementation Enhanced Operating and Management Ability

Project progress



Improving management

Optimized business process

- Instant and efficient fund transfer
- Improved efficiency of transaction processing
- Simplified front desk operation, centralized and specialized back office operation

Strengthened Risk Control

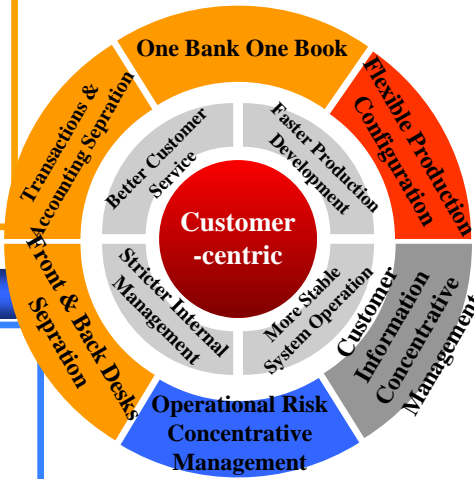
- Centralized management of staffs
- Overall control of transactions
- Flexible authorization limits management

Enhanced Product Innovation

- Product R&D more time efficient
- Product R&D more flexible
- Easily promotion and sharing of new products

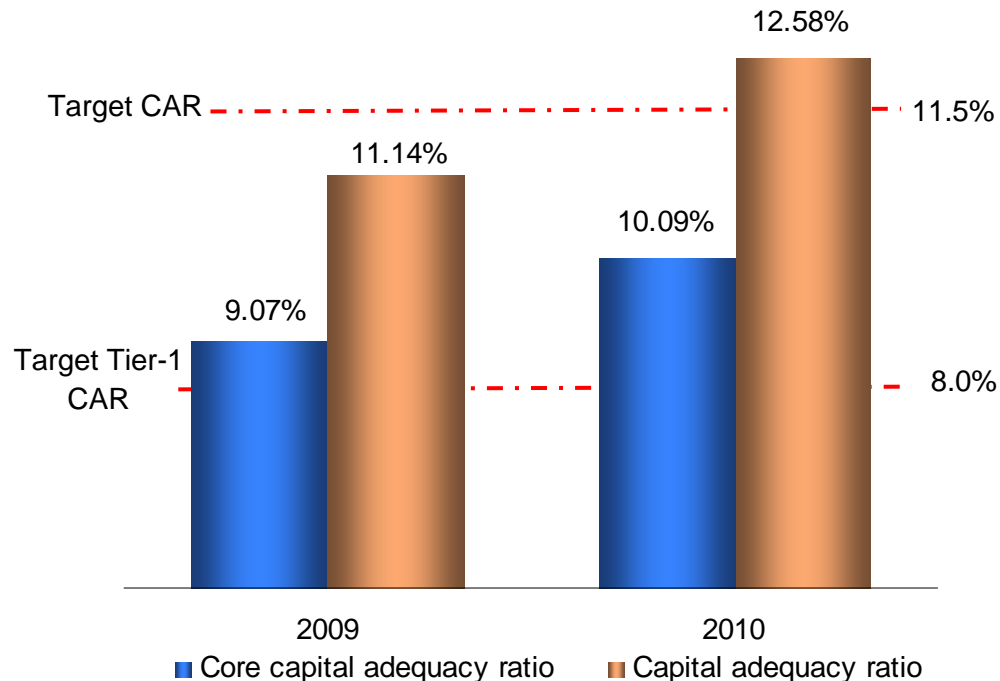
Improved data quality

- Centralized management of client information
- Easy identification of target clients
- Higher data quality



Enhanced Capital Management

Promptly replenished capital



Enhancing capital management

- ◆ Enhance performance evaluation on EVA and economic capital target
- ◆ Control the scale of due from banks
- ◆ Increase the proportion of HTM debt
- ◆ Reduce the scale of ABS under B+ level
- ◆ Strictly control the size of direct investment
- ◆ Minimized the off-balance sheet commitments

Promoting new capital accord implementation

- ◆ Complete the implementation of Pillar I of Basel II
- ◆ Remarkable progress in areas related to Pillar II and Pillar III
- ◆ Finish the CBRC pre-evaluation
- ◆ Complete quantitative measurement of new capital accord
- ◆ Capitalise on its Basel-related achievements
- ◆ Launched or upgraded 10 systems of new capital accord

Awards and Recognition



Best Corporate Lending Bank (China) 2010
Best Foreign Exchange Bank (China) 2010



FINANCIAL
TIMES

Best Private Banking Award



BOC ranked No.3
In TOP50 Most Valuable
Chinese Brands



Best Wealth Management Bank



Best Annual Report
Award (Mainland China)



Best Trade Finance Bank (China)



Best Trade Finance Bank (China)
Best Private Banking (China)



Best Globalization Bank in Asia



伟大的公司·需要·伟大的董事会

Outstanding Board of Directors
Award



Best E-Banking in China

Strategies in 2011

Expand customer base and improve service ability

- ◆ Innovate SME business model, increase SME's contribution
- ◆ Innovate large-scale client service model, increase comprehensive income
- ◆ Innovate marketing model of retail business, increase the proportion of high-end customers
- ◆ Expand e-channel services and e-banking clients
- ◆ Strengthen product and technology innovation, increase service ability

Improve service efficiency of business outlets to strengthen competitiveness

- ◆ Accelerate building middle and large full-function outlets
- ◆ Improve business outlet management mechanism
- ◆ Increase staff of retail outlets and improve service efficiency

Innovation Business Transformation Cross-border Development

Expand overseas business and accelerate cross-border development

- ◆ Strengthen building platforms of strategic important products and business
- ◆ Develop comprehensive and balanced overseas fund raising ability
- ◆ Enhance investment banking business
- ◆ Further consolidate overseas operations of middle and back office
- ◆ Optimize human resource management mechanism of overseas operations
- ◆ Realize synergy between domestic and overseas business

Improve internal management and deepen business transformation

- ◆ Optimize resource allocation to expand NIM
- ◆ Strengthen comprehensive and balanced management of assets and liabilities
- ◆ Enhance risk management for lower credit cost
- ◆ Improve operation for higher efficiency
- ◆ Further centralize operation and management

Agenda

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Speaker

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Key Performance Highlights &
Development plan

Mr. Li Lihui, President

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2010 Annual Results & 2011 Outlook

**Mr. Zhou Zaiqun,
Executive Vice President**

Profit & Loss Summary

Profit attributable to equity holders of the Bank up by 29%, exceeding RMB100 billion

(RMB million)	2010	2009	2008	2010 vs 2009	2009 vs 2008
Net interest income	193,962	158,881	162,936	22.1%	-2.5%
Non-interest income	82,556	73,689	65,869	12.0%	11.9%
-Net fee and commission income	54,483	46,013	39,947	18.4%	15.2%
Operating income	276,518	232,570	228,805	18.9%	1.6%
Operating expenses	(122,409)	(107,307)	(97,749)	14.1%	9.8%
Impairment losses on assets	(12,993)	(14,987)	(45,031)	-13.3%	-66.7%
Operating profit	141,116	110,276	86,025	28.0%	28.2%
Profit before income tax	142,145	111,097	86,751	27.9%	28.1%
Income tax expense	(32,454)	(25,748)	(21,178)	26.0%	21.6%
Profit after income tax	109,691	85,349	65,573	28.5%	30.2%
Profit attributable to equity holders of the Bank	104,418	80,819	64,039	29.2%	26.2%
EPS (basic, RMB)	0.39	0.31	0.24	28.3%	26.2%
Key Ratios (%)					
Return on average total assets	1.14	1.09	1.01	0.05	0.08
Return on average equity	18.87	16.48	14.37	2.39	2.11
Non-interest income to operating income	29.86	31.68	28.79	-1.82	2.89
Net fee & commission income to operating income	19.70	19.78	17.46	-0.08	2.32
Cost to income (calculated under domestic regulations)	34.16	34.92	31.52	-0.76	3.40
Net interest margin	2.07	2.04	2.63	0.03	-0.59
Credit cost	0.29	0.38	0.55	-0.09	-0.17

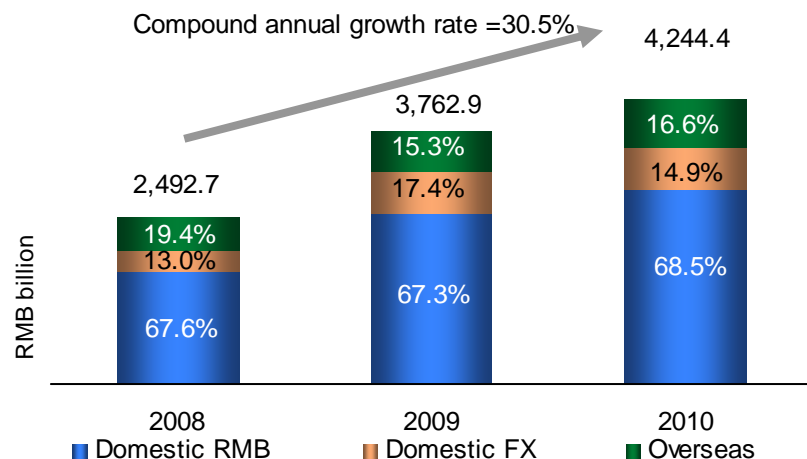
Balance Sheet Summary

Assets and liabilities increased steadily, asset quality further improved

(RMB million)	31 Dec 2010	31 Dec 2009	31 Dec 2008	2010 VS 2009	2009 VS 2008
Assets					
Loans, net	5,537,765	4,797,408	3,189,652	15.4%	50.4%
Investment securities	2,055,324	1,816,679	1,646,208	13.1%	10.4%
Balances with central banks	1,573,922	1,111,351	1,207,613	41.6%	-8.0%
Due from banks & other financial institutions	800,620	618,199	525,509	29.5%	17.6%
Total assets	10,459,865	8,751,943	6,955,694	19.5%	25.8%
Liabilities					
Due to customers	7,483,254	6,620,552	5,103,409	13.0%	29.7%
Due to banks and other financial institutions and due to central banks	1,580,030	1,152,424	858,045	37.1%	34.3%
Total liabilities	9,783,715	8,206,549	6,461,793	19.2%	27.0%
Key financial ratios (%)	31 Dec 2010	31 Dec 2009	31 Dec 2008	2010 VS 2009	2009 VS 2008
Core capital adequacy ratio	10.09	9.07	10.81	1.02	-1.74
Capital adequacy ratio	12.58	11.14	13.43	1.44	-2.29
Non-performing loans to gross loans	1.10	1.52	2.65	-0.42	-1.13
Allowance for loan impairment losses to non-performing loans	196.67	151.17	121.72	45.50	29.45
Identified impaired loans to total loans	1.13	1.55	2.76	-0.42	-1.21

Corporate Banking

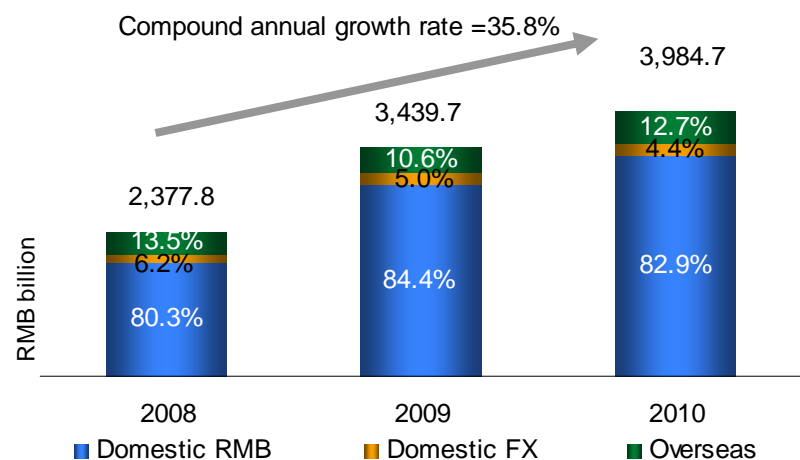
Group Corporate loans



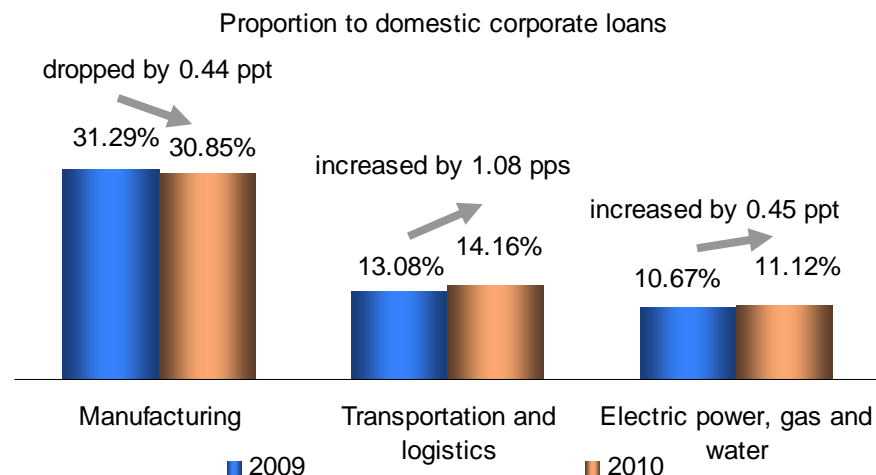
Leading position in trade finance business

(USD: billion)	Dec 2010	Market position
International settlement (Group)	1,972.3	global leader
International trade settlement (Domestic)	905.9	domestic leader
FX trade finance (Domestic)	47.5	domestic leader
FX letters of guarantee (Domestic)	56.2	domestic leader

Group Corporate deposits

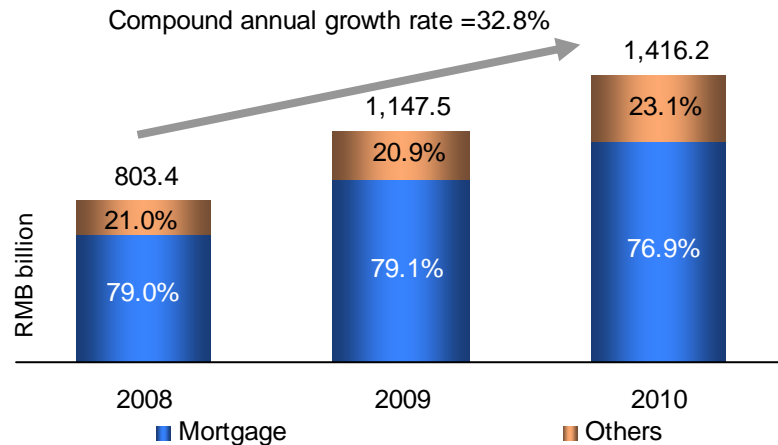


Optimized corporate loans structure

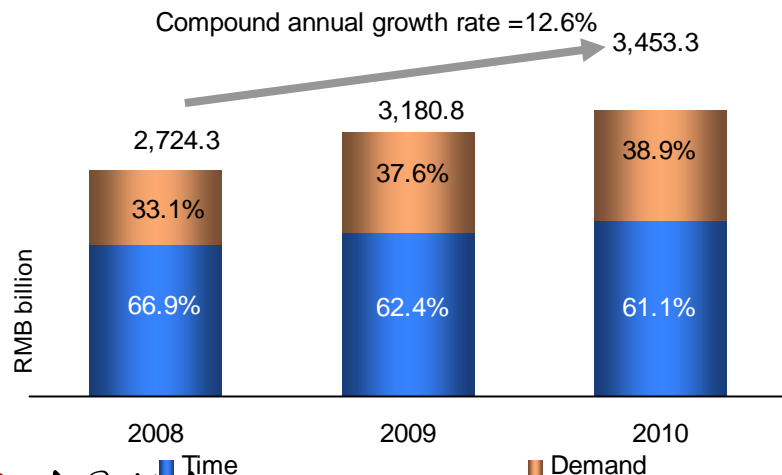


Personal Banking

Group Personal loans



Group Personal deposits



Steady growth in customer base

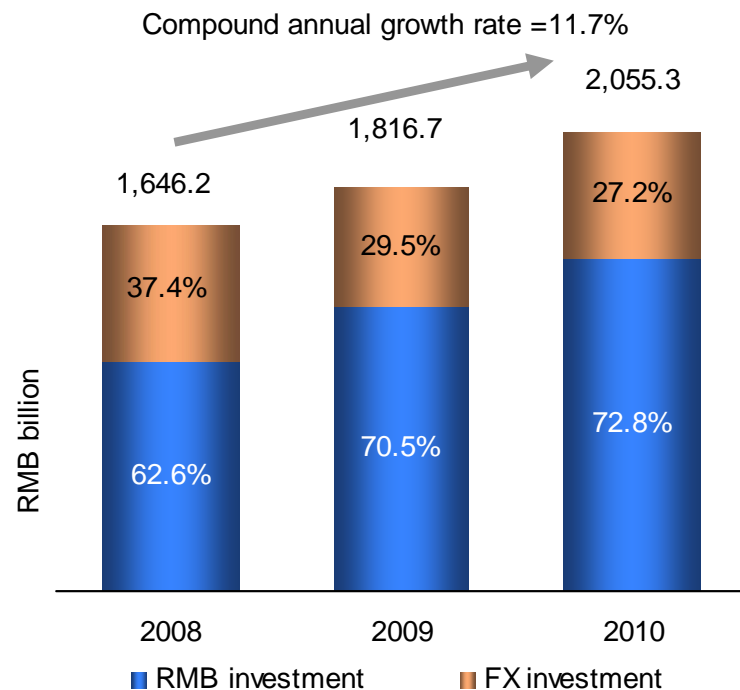
	31 Dec 2010	2010 VS 2009
Wealth management centers	1,979	↑ 1,245
Prestigious wealth management centers	125	↑ 45
Private banking	17	↑ 2
No. of middle and high-end customers	3.99 million	↑ 38%
No. of private banking customers	15 thousand	↑ 50%
AUM of middle and high-end customers	RMB2.0 trillion	↑ 26%

Robust growth in bank card business

	31 Dec 2010	2010 VS 2009
Accumulated no. of bank card	179 million	↑ 8%
Accumulated no. of credit card	28.77 million	↑ 28%
Accumulated no. of debit card	150 million	↑ 7%
Accumulated no. of overseas debit card	0.29 million	↑ 30%
Bank card consumption	RMB830.7 billion	↑ 45%
RMB card merchant acquiring transaction volume	RMB1,109.7 billion	↑ 80%

Financial Markets

Optimized structure of investment securities

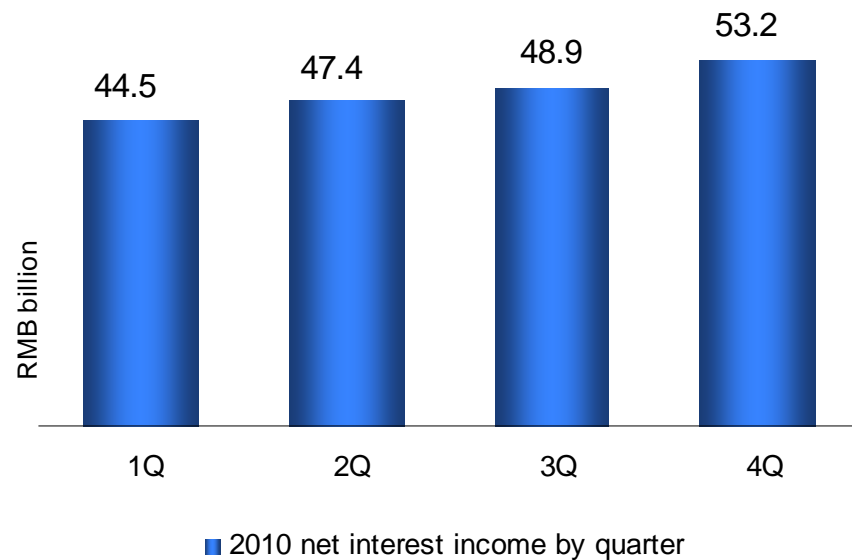


Solidify traditional strength and expand new business

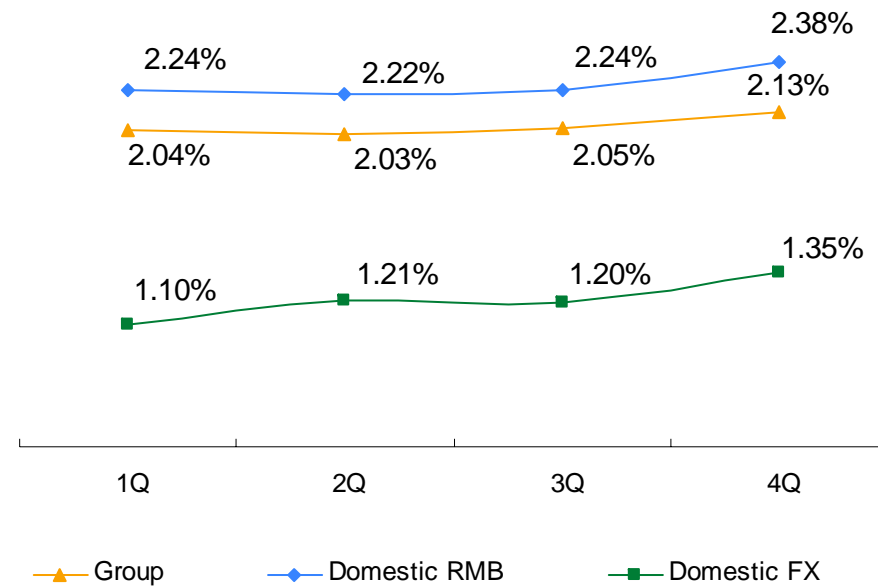
- ◆ No.1 market share of spot foreign exchange settlement and sales
- ◆ Rapid growth in forward foreign exchange settlement and sales and bullion leasing
- ◆ Dual-way Renminbi/Gold Trading, and forward foreign exchange purchase and sale against the RMB for individually owned business in China
- ◆ Introduced spot exchange trading of the Russian Rouble against the RMB on bank-wide basis
- ◆ Launched proprietary trading desks for the South Korean Won, Malaysian Ringgit, Indonesian Rupiah, Thai Baht and Brazilian Real, and foreign exchange trading on behalf of clients
- ◆ Underwrote the first RMB-denominated bond issued by a foreign bank
- ◆ Domestic assets under custody exceeded RMB1 trillion, leading its peers

Net Interest Margin

Group Interest income

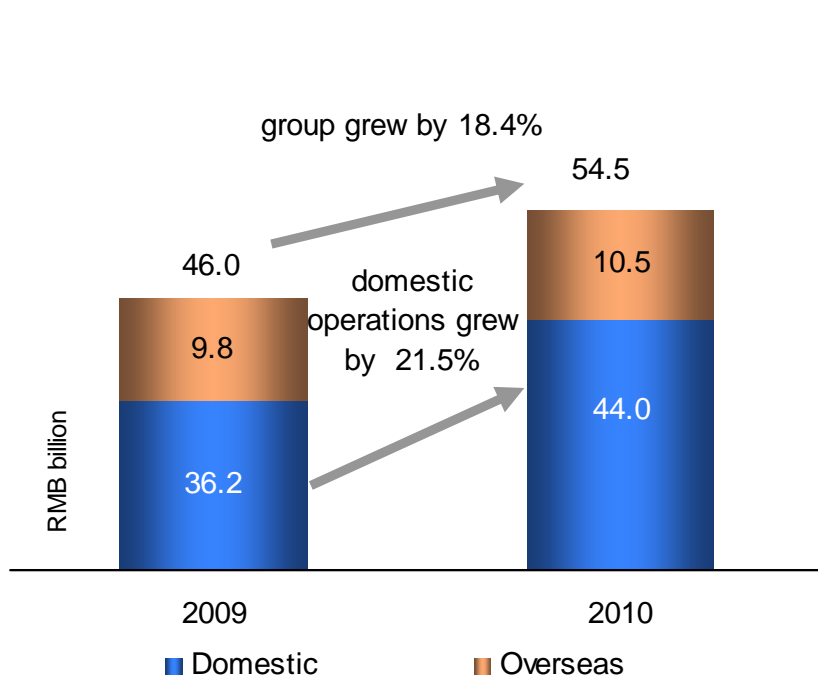


Net interest Margin

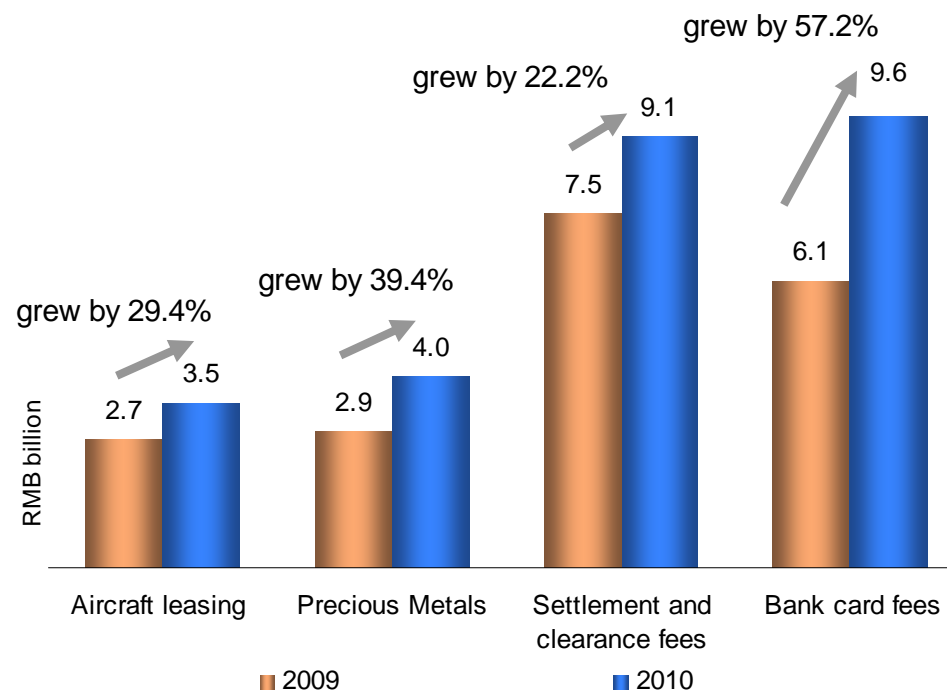


Non-Interest Income

Net fee and commission income

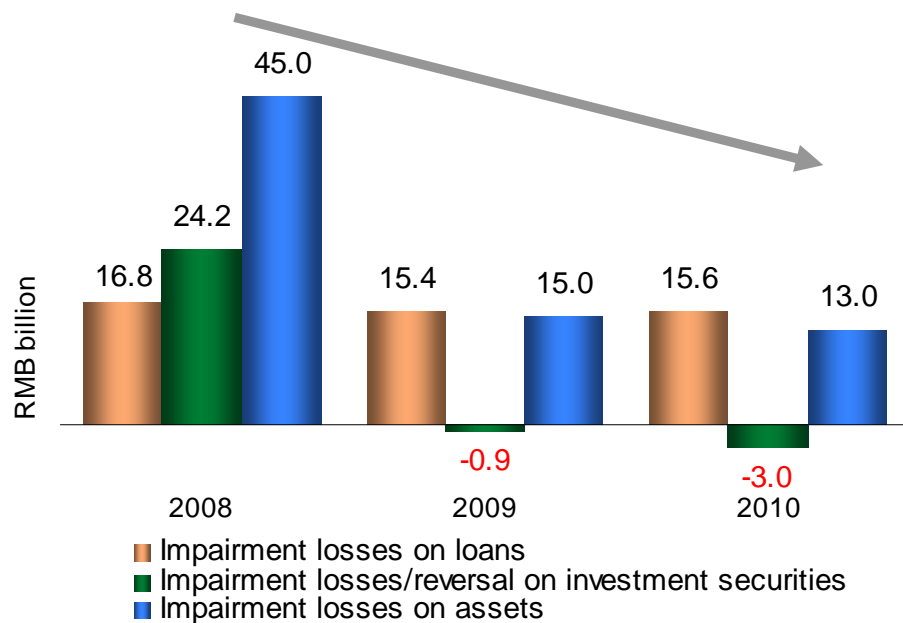


Key drivers of non-interest income

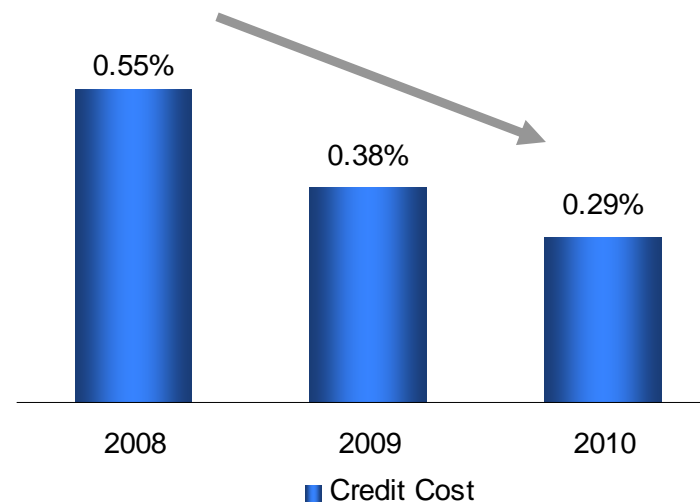


Impairment losses on assets and Credit Cost

Breakdown of impairment losses on assets

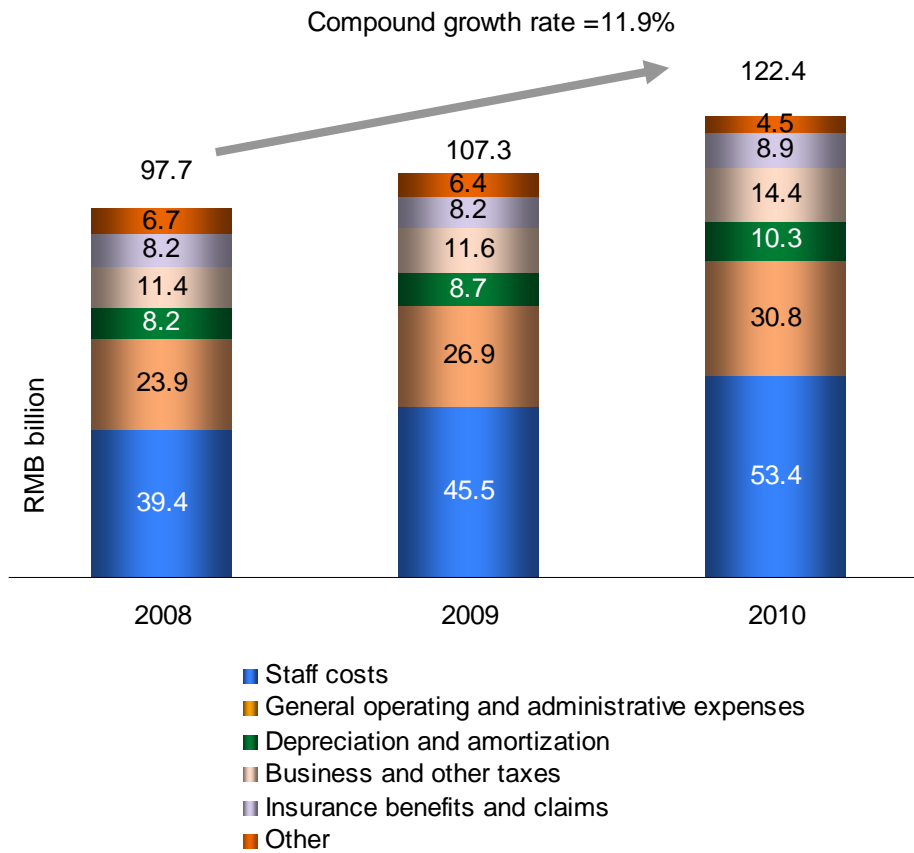


Credit cost

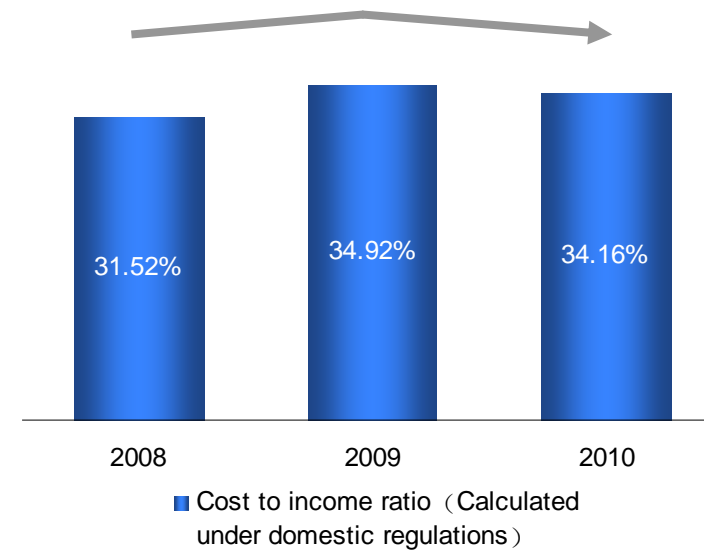


Operating Expenses

Breakdown of operating expenses



Cost to income ratio



Outlook for 2011



Improving key financial indicators

Optimize resources allocation to improve net interest margin

- ◆ Improve yield of RMB corporate loans
- ◆ Improve yield of RMB personal loans
- ◆ Increase core deposit to reduce funding cost

Enhance capital management to maintain solid capital base

- ◆ Enhance performance evaluation on EVA and economic capital target
- ◆ Optimize risk assets
- ◆ Control the size of direct investment
- ◆ Minimize off-balance sheet commitments

Strictly control risk to reduce credit cost

- ◆ Strictly control LGFV loans
- ◆ Strengthen the management of real estate loans
- ◆ Strictly control loans granted to overcapacity industries
- ◆ Strictly exercise differentiated policies for personal housing loans

Relentlessly Control cost

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

Q&A

