

# Company SnapShot

## BANK OF CHINA LTD (HKSE: 3988)

September 9, 2016

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## LATEST FINANCIAL ANNOUNCEMENT

Bank of China Announced 2016 Interim Results

2016-08-30

Bank of China Limited (“the Bank”, Hong Kong Stock Exchange ordinary stock code: 3988, Offshore Preference Share: 4601; Shanghai Stock Exchange ordinary stock code: 601988, Domestic Preference Share code: 360002 and 360010) announced its 2016 interim results on 30 August. According to International Financial Reporting Standards (“IFRS”), the Bank recorded a profit after tax of RMB107.308 billion and a profit attributable to equity holders of RMB93.037 billion, increasing by 12.97% and 2.52% year-on-year respectively.

Specifically, the Bank’s operating performance in the first half of 2016 is featured by the following respects:

Steadily improved operating performance with continuously enhanced operating efficiency

As at the end of June 2016, the Bank’s total assets, liabilities and capital and reserves attributable to equity holders amounted to RMB17.60 trillion, RMB16.18 trillion and RMB1.35 trillion, increasing by 4.67%, 4.68% and 3.32% respectively from the prior year-end. The ROA and ROE recorded 1.25% and 14.78% respectively. Net interest margin stood at 1.90%. Leveraging its competitive edges in internationalization and diversification, the Bank proactively expanded the non-interest income sources to achieve an increase of 42.75% for non-interest income in the first half, accounting for 41.03% of the total operating income, far outpacing peers. Cost to income ratio (calculated under domestic regulations) declined 60 basis points year-on-year to 24.25%, further enhancing its operating efficiency. The Bank’s capital adequacy was strengthened with its capital adequacy ratio and tier 1 capital adequacy ratio reaching 13.91% and 11.98% respectively.

Relatively stable assets quality with further optimized loan portfolio

Focusing on crucial areas and key businesses, the Bank innovated modes for resolving, managing and controlling distressed assets, achieving remarkable effects. The assets quality maintained relatively stable with sufficient provisions, which strengthened the Bank’s risk compensation mitigation capability. In the first half of 2016, the Bank’s NPL ratio was 1.47%, lower than the average level of commercial banks. The NPL coverage ratio stood at 155.10% and the allowance for loan impairment losses to total loans of domestic institutions recorded 2.74%, both above the regulatory minimum. By stepping up efforts on NPLs resolution, the Bank’s domestic institutions resolved RMB63.78 billion of distressed assets, up RMB20.33 billion or 46.78% year-on-year. In the meantime, the Bank devoted in taking innovative measures to resolve distressed assets, and has successfully issued the first NPL-backed securities.

The Bank actively supported the supply-side structural reform and increased its support to real economy. The outstanding domestic RMB loans reached RMB7.26 trillion, growing RMB459.36 billion from the last year-end, an increase of 6.76%. Loans to the supportive and selectively supportive industries saw a rise compared with the last year-end. The balance of the Bank’s domestic RMB personal loans was RMB2.70 trillion, growing RMB299.88 billion from the last year-end, representing 65.28% of the total new domestic RMB loans for the first half, up 22.08 percentage points for the same period in last year.

Further promotion of internationalization strategies to continuously raise overseas contributions

Closely coordinating with the nation’s strategies to promote a new round of high-level reform and opening up, the Bank continued to promote its overseas businesses development and strengthen its operations under global integration, with further improved internationalization level. In the first half of 2016, the Bank’s overseas institutions realized a profit before tax of USD8.568 billion, up 84.16% and representing 43.22% of the Bank’s total profit before tax. The outstanding deposits and loans of the overseas commercial banks reached USD365.2 billion and USD316.3 billion, up USD15.0 billion and USD20.5 billion respectively.

Adapting to the volatile operating environment, the Bank timely pushed forward its key overseas strategic adjustments. The smooth sale of Nanyang Commercial Bank helped eliminate the overlapping of the Bank's businesses and reduce the management cost, further enhancing capital efficiency. The successful IPO of BOC Aviation highlighted the Bank's competitive edges in its diversification strategies, enhancing the Bank's overall value, as well as preserving and increasing state-owned assets value. The Bank also actively pressed ahead the reconstruction of the ASEAN institutions wherein BOCHK entered into acquisition agreements with Bank of China (Thai) Public Company and Bank of China (Malaysia) Berhad, and was approved to set up a branch in Brunei Darussalam, with these the BOCHK's regional radiations were substantially strengthened.

The Bank continued to build up the "Belt and Road" financial artery and prioritized to expand its network in the countries and regions alongside the "Belt and Road". Currently the Bank's network has covered 18 countries alongside the "Belt and Road", thus its global service network was further improved. A total new credit of USD17.4 billion was extended to countries alongside the "Belt and Road" while 392 projects with a total intentional credit of USD82.6 billion were followed up. The Bank actively supported Chinese enterprises "Going Global", with an aggregate of 23 "SMEs Matchmaking" events held wherein over 4,500 letters of intent were agreed.

The Bank's cross-border RMB businesses continued to maintain its leading position in market. The Bank's cross-border RMB settlement volume and clearing volume reached RMB2.04 trillion and RMB150 trillion respectively, maintaining first place among peers in terms of market shares. In the first half of 2016, the Bank actively promoted RMB in emerging areas, continuously enhancing its offshore RMB quotation ability.

Continued to deepen reform with great progress in serving the nation's economic development for key regions

The Bank closely followed the nation's strategies and increased its support to the key regions including the Beijing-Tianjin-Hebei region, the Yangtze River Delta and Guangdong-Hong Kong-Macau area. In the first half, the foresaid key regions realized operating income of RMB149.4 billion, up 19% year-on-year, with its weight for the Bank's total operating income increased to 57%. They recorded a profit after tax of RMB74.9 billion, increasing to 70% of the Bank's total profit after tax.

The Bank extended loans to 206 linkage projects in the Beijing-Tianjin-Hebei region with a balance of RMB115.7 billion. The borrowers included the key national strategies guided sectors relating to transportation integration, new-type urbanization, industry upgrade and transformation. A first mover advantage in the Bank's innovative businesses in Shanghai FTZ was further transformed to a scale advantage. As at the end of June 2016, there were 11,498 corporate FT accounts opened and the outstanding loans for FT were RMB71.0 billion. An aggregate of 73 both-way cross-border RMB funding pools were approved.

For purpose of better serving the economic development in the Bohai Rim, in the first half of 2016, the Bank successfully completed structural adjustments to the four tier-1 branches in Liaoning province, Shandong province, Dalian and Qingdao, realizing comprehensive optimization and upgrade of management and services in the Bohai Rim.

Promoted innovation and transformation to form new internet competitive edges

The Bank fully implemented on the nation's "Internet Plus" action plan. With a profound understanding of the nature of financial services and an aim to continuously improve customer experience, the Bank actively seized the commanding leadership position in the mobile internet era to sharpen new competitive edges.

E-finance businesses expanded rapidly, with a continuous rising of "E-BOC" brand. The E-finance customer number and transaction amount increased by 78% and 56% year-on-year respectively. The Bank cooperated with over 60 e-commerce institutions on "BOC Global E-Commerce" platform, and the "BOC Easy-trade Cyber-tariff" businesses continued to lead market. It upgraded the "one-stop" online financial supermarket products with new transaction amount exceeding RMB64.3 billion.

Online and offline coordinated services were continuously enhanced. The Bank accelerated its constructions of smart outlets, having completed intelligence upgrades for 4,112 domestic outlets. 89.71% of transactions were conducted through e-channel, with an amount of RMB75.4 trillion, out of which the mobile transaction amount grew by 30.54% year-on-year. The Bank continued to promote its technology innovation and pushed forward the integration and transformation of the overseas information system, being the first among the domestic peers establishing a 7x24 hours non-stop globally integrated system for operations and maintenance.

In the second half of 2016, the Bank will take on responsibilities for serving the nation's strategies and stick to the strategic aim of "Serving Society, Delivering Excellence", continuing to deepen reform and promote innovation and transformation. The Bank will step up its efforts on NPL resolutions and strengthen the group's management and control, continuously striving for a higher level of operation management.

[http://www.boc.cn/en/bocinfo/bi1/201608/t20160830\\_7598996.html](http://www.boc.cn/en/bocinfo/bi1/201608/t20160830_7598996.html)

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## COMPANY PROFILE

### Bank of China Ltd (HKSE: 3988)

Bank of China was established in February 1912. After the founding of the People's Republic of China in 1949, the bank became responsible for managing China's foreign exchange operations, supporting the nation's foreign trade development and economic infrastructure through its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. In 1994, the Bank transformed from a specialised foreign exchange bank into a state-owned commercial bank, and then incorporated as Bank of China Limited in August 2004. The bank was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. In 2011 and 2012, the bank was registered as a Global Systemically Important Financial Institution for two consecutive years, the only financial institution from China or any emerging economy to be recognised as such.

[http://www.boc.cn/en/aboutboc/ab1/200809/t20080901\\_1601737.html](http://www.boc.cn/en/aboutboc/ab1/200809/t20080901_1601737.html)

## COMPETITORS

### **Agricultural Bank of China (SSE: 601288)**

Established in 1951, Agricultural Bank of China has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The bank was restructured into a joint stock limited liability company in January 2009. It listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively, in July 2010. The bank provides various corporate and retail banking products and services for a broad range of customers and carries out treasury operations for its own accounts or on behalf of customers. Its business scope includes investment banking, fund management, financial leasing and life insurance. It has 23,472 domestic branch outlets, four overseas branches and five overseas representative offices. It has nine domestic subsidiaries and three overseas subsidiaries. In 2012, the bank ranked No. 84 in Fortune's Global 500, and ranked No. 5 in The Banker's "Top 1000 World Banks" list in terms of profit before tax for 2011.

<http://www.abchina.com/en/about-us/about-abc/Overview/>

### **Bank of Communications (HKSE: 3328)**

Founded in 1908, Bank of Communications (BOCOM) is one of the four oldest banks in China and one of its earliest note-issuers. In 1958, the mainland business of BOCOM was merged with People's Bank of China and the People's Construction Bank of China. To operate in line with economic reforms and development, BOCOM was restructured on July 24, 1986 with approval from the State Council and began operation anew on April 1, 1987, thus becoming China's first state-owned shareholding commercial bank. In June 2004, the State Council approved BOCOM's plan to reform its shareholding to further develop into a modern banking enterprise with improved corporate governance, adequate capital, strict internal controls, safe operations, excellent services and return, and strong international competitiveness. On June 23, 2005, BOCOM was listed in Hong Kong, the first China-based commercial bank of its kind to be listed outside of the Chinese mainland. On May 15, 2007, BOCOM was listed on the Shanghai Stock Exchange.

[http://www.bankcomm.com/BankCommSite/en/invest\\_relation/company\\_develop.jsp?type=ourvalue&categoryPath=ROOT%3E%D3%A2%CE%C4%CD%F8%D5%BE%3EInvestor+Relations%3EOur+Values](http://www.bankcomm.com/BankCommSite/en/invest_relation/company_develop.jsp?type=ourvalue&categoryPath=ROOT%3E%D3%A2%CE%C4%CD%F8%D5%BE%3EInvestor+Relations%3EOur+Values)

### **China CITIC Bank International (HKSE: 998)**

The bank is a Hong Kong-based, full-service commercial bank that offers a broad spectrum of financial services spanning wealth management, personal banking, wholesale banking, as well as global markets and treasury solutions. The bank's footprint in Greater China includes 36 branches in Hong Kong, a branch in Macau, and a branch in Shanghai. CITIC Bank International (China) Limited, its Mainland-incorporated, wholly-owned subsidiary, is headquartered in Shenzhen with branches in Shanghai and Beijing. Overseas operations include branches in New York, Los Angeles and Singapore.

<http://www.cncbinternational.com/about-us/about-citic-bank-international/en/index.jsp>

### **China Construction Bank (HKSE: 939)**

China Construction Bank Corporation, established in October 1954 and headquartered in Beijing, is a large and leading joint-stock commercial bank in China and a well-known brand in overseas markets. The Bank was listed on Hong Kong Stock Exchange in October 2005 (Stock Code 939), and was listed on the Shanghai Stock Exchange in September 2007 (Stock Code 601939). As at the end of 2014, the market capitalization of the Bank reached USD 207.9 billion, ranking fourth among all listed banks in the world. The Bank has an extensive network of 14,856 branch outlets in mainland China, serving 3.48 million corporate customers and 314 million personal customers, and maintains close relationships with leading enterprises in strategic sectors for Chinese economy and numerous high-profile clients.

<http://www.ccb.com/en/newinvestor/overview.html>

### **China Merchants Bank Co. Ltd. (HKSE: 3968)**

Established in 1987 in Shenzhen, China Merchants Bank (CMB) is China's first joint-stock commercial bank. CMB has grown with China's economic progress from a small bank with 100 million yuan in capitalization, one branch and over thirty employees into a nationwide joint-stock commercial bank that has a net capital of 140 billion yuan, total assets of 2.6 trillion yuan, over 800 branches and over 50,000 employees, ranking it among the world's top 100 banks. The bank has won a number of titles, including the Best Commercial Bank of China, the Best Retail Bank in China, the Best Private Bank in China, China's Best Custody Specialist from the British Financial Times, Euromoney and The Asset. The Bank was shortlisted as a World-Class Chinese Brand and ranked No. 1 in the P/B list of the world's top 50 banks with the largest market value by the British Financial Times. It was also listed No.60 among the world's Top 1,000 Banks by The Banker.

<http://english.cmbchina.com/CmbInfo/About/>

### **Industrial and Commercial Bank of China (HKSE: 1398)**

ICBC has 408,859 employees providing a wide range of financial products and services to 4.11 million corporate clients and 282 million individual customers through 16,648 outlets across China, 239 overseas subsidiaries and a global network of 1,669 correspondent banks as well as internet banking, telephone banking and self-service banking. At the end of 2011, total assets reached RMB15,476.868 billion, an increase of RMB2,018.246 billion, or 15.0% over previous year. With a 25.6% year-on-year increase in net profit to RMB208.445 billion in 2011, ICBC defended its position as the world's most profitable bank. Return on average total assets and return on weighted average equity is on par with international standards, at 1.44% and 23.44% respectively.

<http://www.icbc.com.cn/ICBC/About%20Us/Brief%20Introduction/brief%20introduction%20to%20icbc.htm>

### **Wing Hang Bank (HKSE: 302)**

Wing Hang Bank was founded in Guangzhou as a money changing business in 1937. After the Second World War, the bank re-established itself in Hong Kong with a staff of 19. Following a period of sustained growth, the Company was granted a banking licence in 1960. In January 1973, the Irving Trust Company of New York purchased a majority interest in the bank. Through this affiliation, the bank gained access to state-of-the-art technology, expertise in international banking and a firm foundation for further growth. In July 1993, Wing Hang Bank was publicly listed on The Hong Kong Stock Exchange. It successfully acquired Chekiang First Bank in August 2004 and Inchroy Credit Corporation Limited in January 2007. As at 30 June 2013, Wing Hang Bank Group had total assets of over HK\$201.1 billion.

[http://www.whbhk.com/webpages/enus/html/cor\\_overview/cor\\_bankground/cor\\_background.html?id=CorporateBackground](http://www.whbhk.com/webpages/enus/html/cor_overview/cor_bankground/cor_background.html?id=CorporateBackground)

## THE INDUSTRY

### Financial Market Performance in March 2015

In the first three months of 2015, the performance of the financial market was generally stable. In March, bond issuance volume increased both year on year and month on month; transactions volume on the money market increased measurably both year on year and month on month; the daily average volume of spot bond transactions increased both year on year and month on month; the interbank bond index declined but the treasury bond index on the exchange market rose slightly; both the Shanghai Stock Exchange Composite Index and Shenzhen Stock Exchange Component Index rose significantly, and the average daily turnover of both Shanghai and Shenzhen Stock Exchanges went up remarkably from the last month.

#### I. Bond issuance

January through March, bond market issuance<sup>1</sup> totaled 3.0 trillion yuan, up 39.0 percent year on year. Among this total, issuance volume on the interbank bond market posted 2.9 trillion yuan, up 38.6 percent year on year. In March, bond issuance totaled 1.41 trillion yuan, up 21.4 percent year on year and 99.8 percent month on month respectively. Among this total, issuance volume of treasury bonds, financial bonds, corporate debenture bonds, credit asset-backed securities and inter-bank certificates of deposit registered 80 billion yuan, 388.95 billion yuan, 576.19 billion yuan, 14.37 billion yuan and 317.65 billion yuan respectively. Issuance volume on the interbank bond market totaled 1.36 trillion yuan, up 25.1 percent year on year and 108.7 percent month on month respectively.

As of the end of March, bonds deposited in the trust depository and clearing companies posted 36.7 trillion yuan, among which treasury bonds, financial bonds, corporate debenture bonds, credit assets-backed securities and inter-bank certificates of deposit posted 9.1 trillion yuan, 12.1 trillion yuan, 11.4 trillion yuan, 316.73 billion yuan and 1.0 trillion yuan respectively. Bonds deposited at the interbank bond market registered 34.0 trillion yuan, 92.7 percent of the total deposited bonds. In the bond holding of inter-bank market investors, the share of commercial banks decreased 0.1 percentage point from the end of 2014 to 63.7 percent at end March; the share of non-bank financial institutions was 10.9 percent, basically the same as the end of 2014; and the combined share of non-legal-person institutional investors and other investors increased 0.1 percentage point to 25.4 percent.

In the holding of corporate debenture bonds, the share of commercial banks, non-bank financial institutions, non-legal-person institutional investors and other investors was 44.0 percent, 13.4 percent, 40.1 percent and 2.5 percent respectively at end March.

#### II. Money market performance

January through March, the trading volume on the money market totaled 74.6 trillion yuan, up 62.3 percent year on year. Among this total, the volume of pledged repotransactions was 62.6 trillion yuan, up 69.4 percent year on year; the volume of outright repo transactions was 3.8 trillion yuan, up 101.1 percent year on year; the inter-bank lending volume was 8.3 trillion yuan, up 15.7 percent year on year. In March, the transaction volume on the money market totaled 30.4 trillion yuan, up 54.1 percent year on year and 58.9 percent month on month respectively. Among this monthly total, the volume of pledged repo transactions registered 25.2 trillion yuan, up 59.7 percent year on year and 55.2 percent month on month respectively; the volume of outright repo transactions was 1.6 trillion yuan, up 87.0 percent year on year and 69.3 percent month on month respectively; the volume of interbank lending posted 3.6 trillion yuan, up 16.8 percent year on year and 84.4 percent month on month respectively.

In March, the weighted average interest rate of interbank lending was 3.69 percent, up 5 basis points month on month; and the weighted average interest rate of pledged repo was 3.61 percent, down 1 basis point month on month.

### III. Bond market performance

January through March, the spot bond transactions on the interbank market posted 12.6 trillion yuan, with daily trading volume averaging 210.25 billion yuan, up 75.0 percent year on year. In March, the spot bond transactions totaled 5.3 trillion yuan on the interbank bond market, with daily trading volume averaging 240.13 billion yuan, up 64.1 percent year on year and 34.7 percent month on month respectively.

At the end of March, the interbank bond index was 159.78 points, down 1.97 points or 1.22 percent month on month. The exchange market government securities index was 147.97 points, up 0.37 point or 0.20 percent month on month.

### IV. Stock market performance

At the end of March, the Shanghai Stock Exchange Composite Index closed at 3,747.9 points, up 438 points or 13.22 percent month on month; the Shenzhen Stock Exchange Component Index closed at 13,160.66 points, up 1,403 points or 11.93 percent month on month. In March, the Shanghai Stock Exchange had an average daily turnover of 515.87 billion yuan, an increase of 238.04 billion yuan month on month while the Shenzhen Stock Exchange had an average daily turnover of 434.07 billion yuan, an increase of 203.9 billion yuan month on month.

[http://www.pbc.gov.cn/eportal/fileDir/image\\_public/UserFiles/english/upload/File/FinancialMarket-March.pdf](http://www.pbc.gov.cn/eportal/fileDir/image_public/UserFiles/english/upload/File/FinancialMarket-March.pdf)