



# Bank of China Hungary Presents: A Full Spectrum of RMB Services and Products

**Budapest Renminbi Initiative 2016**  
**May 25<sup>th</sup>**

**1 Bank of China: A Global Leader in RMB Business**

**2 Internationalization of RMB: Status Quo and Highlights**

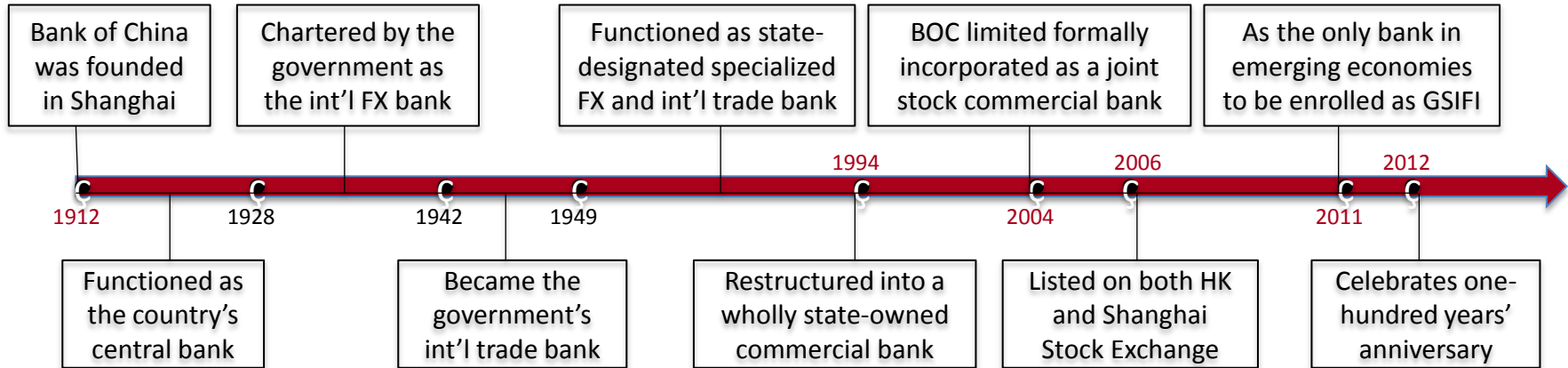
**3 RMB Services and Products by BOC for the Local Market**

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# Bank of China: A Global Leader in RMB Business



# One Hundred Years of History and Honors



## Awards and Honors

	<ul style="list-style-type: none"> <li>◆ 2011-2015: Best RMB Clearing Bank in Asia Pacific</li> <li>◆ 2014: Best Capital Management Project in China</li> <li>◆ 2014: Best Cash Management Bank in Hong Kong</li> <li>◆ 2012- 2015: Best Trade Finance Bank in China</li> </ul>		<ul style="list-style-type: none"> <li>◆ 2012 &amp; 2013,2015: Best Domestic Cash Manager in China</li> <li>◆ 2013: Best Private Bank in China</li> </ul>
			<ul style="list-style-type: none"> <li>◆ 2013 &amp; 2014: Best Trade Bank in China</li> </ul>
	<ul style="list-style-type: none"> <li>◆ 2014: Best Cross-border RMB Bank in China</li> <li>◆ 2014: Best Foreign Exchange Provider in China</li> <li>◆ 2014-2015: Best Supply Chain Finance Provider in China</li> <li>◆ 2014-2015: Best Trade Finance Bank in China</li> <li>◆ 2015: Best Debt Bank in China</li> </ul>		<ul style="list-style-type: none"> <li>◆ 2014&amp;2015: Most Professional Investment Grade Financial Institution Borrower in Asia</li> <li>◆ 2012: Private Bank Country Awards in China</li> <li>◆ 2015: Best Investor Relations</li> </ul>
			<ul style="list-style-type: none"> <li>◆ Golden Prize of Round Table for Excellent Board of Directors</li> </ul>






























# Key Facts of Bank of China



## Key Facts (31<sup>st</sup> Dec. 2015)

Total Assets	RMB 16,815.6 bn (USD 2.59 trillion)	CET 1 CAR	12.07%
Shareholders' Equity	RMB 1,304.9 bn (USD 200.9 bn)	World ranking by CET1 capital	4 <sup>th</sup>
Operating Income	RMB 474.3 bn (USD 73.04 bn)	ROE	14.53%
After-tax profit	RMB 179.4 bn (USD 27.63 bn )	No. of Employees	310,042

# Credit Ratings with Peers

Moody's (M)	Aa3	A1	A2	A3	Baa1	Baa2	Notch Changes Since July 2007		
Fitch (F)/S&P (S)	AA-	A+	A	A-	BBB+	BBB	Moody's	S&P	Fitch
<b>Bank of China</b>		<b>M</b>	<b>S / F</b>				-		
Bank of America			F		M/S				
Citigroup			F	S	M				
Credit Suisse			F		S	M	-		
Deutsche Bank			M	F					
HSBC	F		S	M			N/A		
JP Morgan		F	S	M					
Societe Generale			M / S / F						
Standard Chartered PLC	M	F		S			N/A		
UBS		M	S / F						
Wells Fargo & Co	F		M/S						



# Most Internationalized Bank in China



- ❖ Widest international presence covering **46** countries / regions
- ❖ More than **600** overseas branches covering worldwide major financial centers
- ❖ **1600** correspondent banking relationships in **190** different countries and regions
- ❖ Overseas assets reach **USD 744 bn** accounting for **28.73%** of BOC's total assets and making **23.64%** profit contribution

# Global RMB Clearing Network

- ❑ Bank of China has the world's largest clearing network for RMB



★ PBOC has designated 20 overseas RMB clearing banks, **BOC has 10 of them.**

● In places where Bank of China is not an officially appointed clearing bank, the Bank in most occasions still holds the largest market share in RMB clearing



# Leading Position in RMB Clearing and settlement

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- ❑ Bank of China clears more cross-border payments, maintains more on-shore correspondent accounts and more off-shore RMB clearing accounts than any other service provider in the world.

## RMB Cross-border Clearing & Settlement (as of the end of 2015)

- ❑ Clearing: **331trillion** ( global market leader with share of **39%**)
  - ❑ Settlement: **5.4 trillion** (global market leader with share of **25%**)
- 

## RMB Clearing Accounts (as of the end of June, 2015)

- ❑ **1411** overseas RMB clearing accounts for financial institutions
  - ❑ **418** on-shore RMB correspondent clearing accounts
- 

## Offshore RMB Clearing Bank (as of the end of 2015)

- ❑ **PBOC-appointed RMB clearing banks** in Hong Kong, Macao, Taiwan, Germany, France, Australia, Malaysia, Hungary, South Africa and Zambia. **Designated RMB Market Maker** in Russia
- ❑ **“RMB Business Clearing Award in Asia-Pacific Region”** from Asian Banker for **six consecutive years** from 2010 to 2015



# Leading Position in On/Off-shore RMB Bond Market

Panda Bond Issuance (2015)			CNH Benchmark Issue 2013 to 2015			G3 Currency Issue for CN Issuers (2015)		
Book Runner	Rankings	%	Book Runner	Rankings	%	Book Runner	Rankings	%
<b>Bank of China</b>	<b>1</b>	<b>55.46%</b>	HSBC	1	10.75%	<b>Bank of China</b>	<b>1</b>	<b>9.78%</b>
Bank of Communications	2	8.04%	Standard Chartered	2	7.31%	HSBC	2	9.38%
HSBC	2	8.04%	<b>Bank of China</b>	<b>3</b>	<b>6.99%</b>	Deutsche Bank	3	7.17%
Standard Chartered	4	8.04%	Deutsche Bank	4	5.33%	Citi	4	6.85%
Citic Securities	5	7.93%	BNP	5	4.72%	JP Morgan	5	6.22%
Goldman Sachs	6	5.16%	Citi	6	4.34%	Goldman Sachs	6	6.17%
Citi	6	5.16%	Credit Agricole CIB	7	3.61%	ICBC	7	5.86%
China Merchants Bank	8	2.17%	BofA Merrill Lynch	8	3.10%	Morgan Stanley	8	4.49%
			ABC	9	2.94%	Standard Chartered	9	4.38%
			ICBC	10	2.84%	BNP	10	3.29%

- **BOC IS THE ONLY UNDERWRITER WHO UNDERWROTE ALL INVESTMENT GRADE SOVEREIGN AND QUASI-SOVEREIGN RMB BOND**

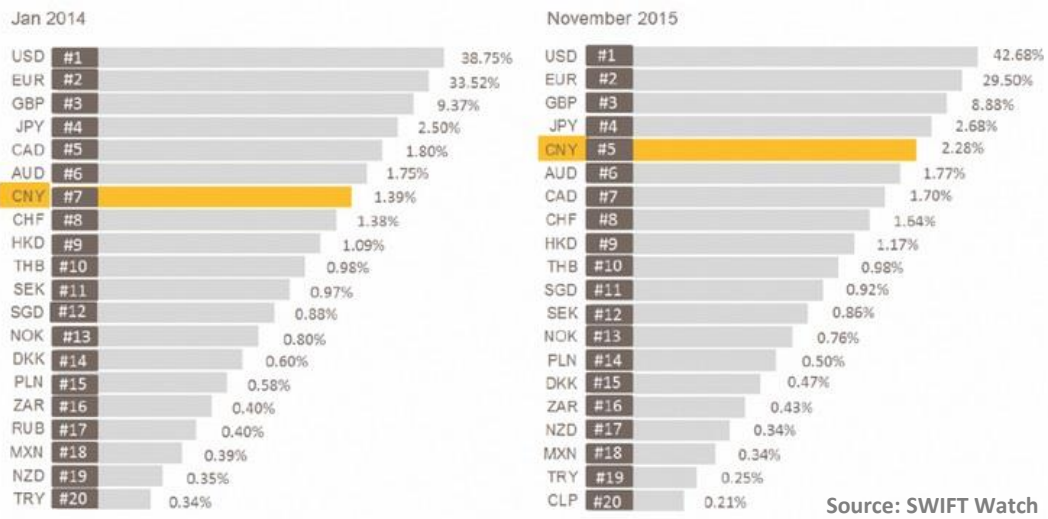
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## **Internationalization of RMB: Status Quo & Highlights**



# Internationalization of RMB – Payment & Settlement

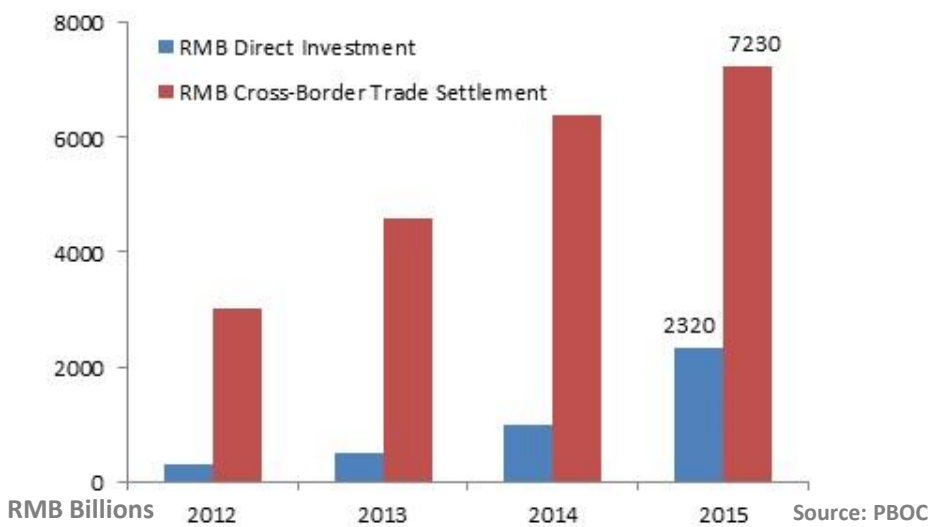
## World Payments Currency Ranking & Market Share %



**RMB ranks as the world's 5<sup>th</sup> largest payment currency with its market share rising steadily**

- Market share of RMB as the payment currency: Dec.2015: 2.31%
- Market share of the mainly used payment currencies  
USD: 41.40%; EUR: 31.47%; GBP: 8.78%; JPY: 3.16%
- The use of RMB in the Middle East rises quickly

## RMB Cross-Border Trade Settlement and RMB Direct Investment



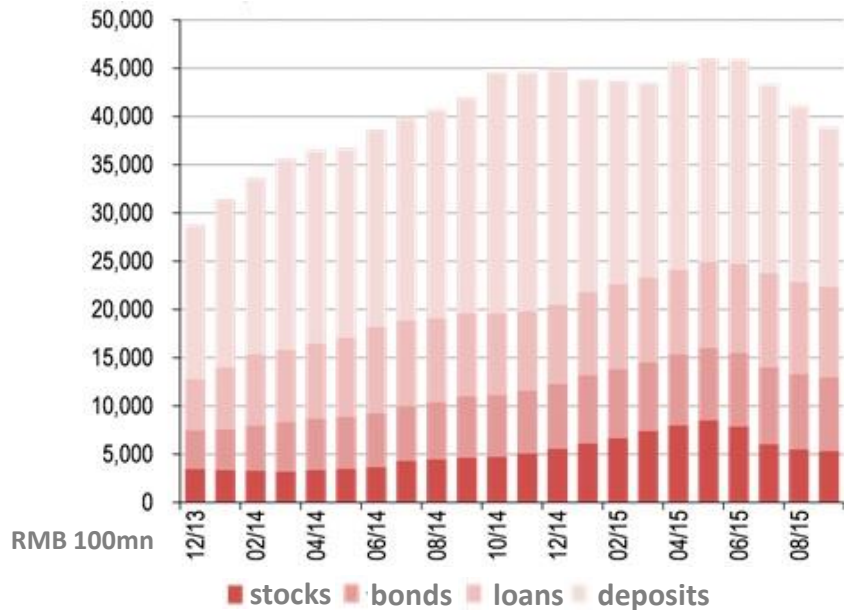
**Cross-Border RMB trade Settlement grows steadily but investment grows rapidly in 2015**

- RMB cross-border trade settlement amounted to 7.23 trillion yuan, increased by 10% YOY
- RMB direct investment reached 2.32 trillion yuan, increased by 121% YOY
- RMB FDI totaled 1.59 trillion yuan, increased by 84.1% and ODI reached 736.2 billion yuan, increased by 294.6% YOY



# Internationalization of RMB – Cross-Border Investment

### RMB Assets held by Overseas Institutions and Individuals



### Outflow Channels

- RMB ODI
- RQDII
- Overseas RMB loans
- Panda bond (On shore RMB bond)
- Clearing Bank RMB lending

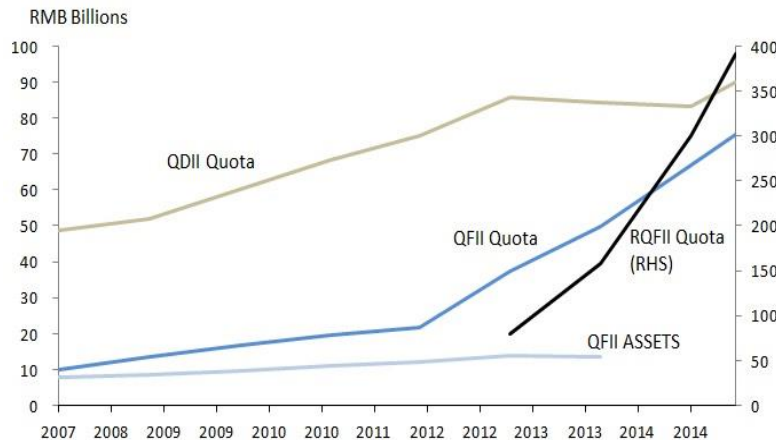
### Inflow Channels

- RMB FDI
- RQFII
- Investment in China's interbank bond market by all types of overseas qualified institutions
- Dim Sum Bond(offshore RMB bond)
- Overseas RMB financing in Free Trade Zone institutions

### Two-Way Flow Channels

- Two-way cross-border RMB funds pool
- Shanghai-Hong Kong Stock Connect

### Quotas for QFII, RQFII and QDII Programs, Total Assets of QFII



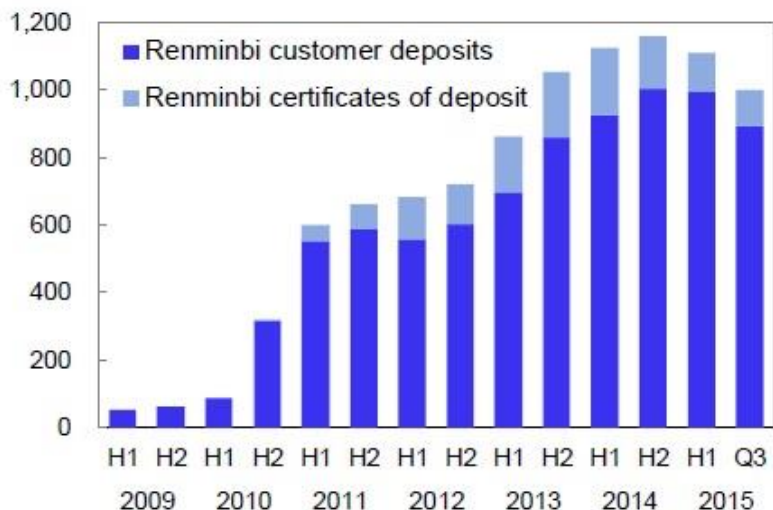
Source: SIFL, PIIE, WIND, PBOC, CSRC, CCDI, SHCH, CSDC, SAFE



# Internationalization of RMB – Offshore Investment

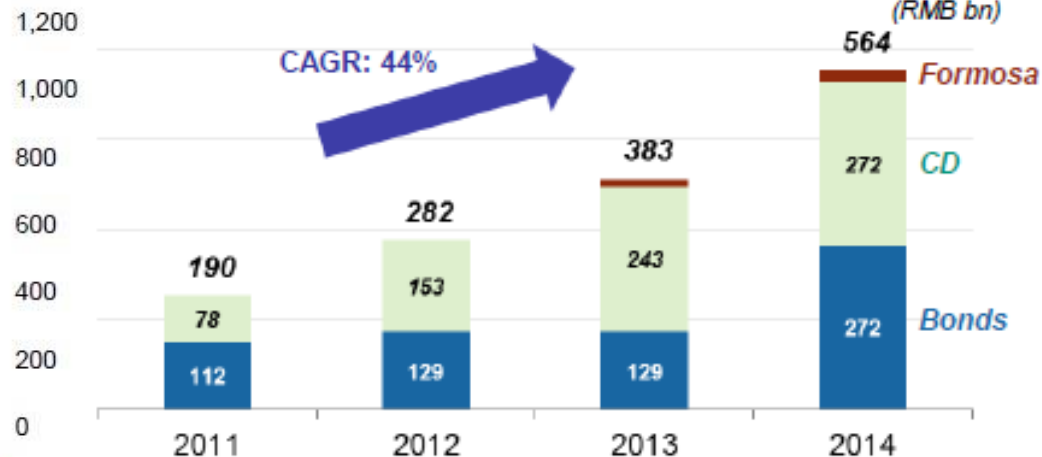
### RMB Deposits in Hong Kong

RMB billion



Source: HKMA

### Offshore RMB Bonds Issuance



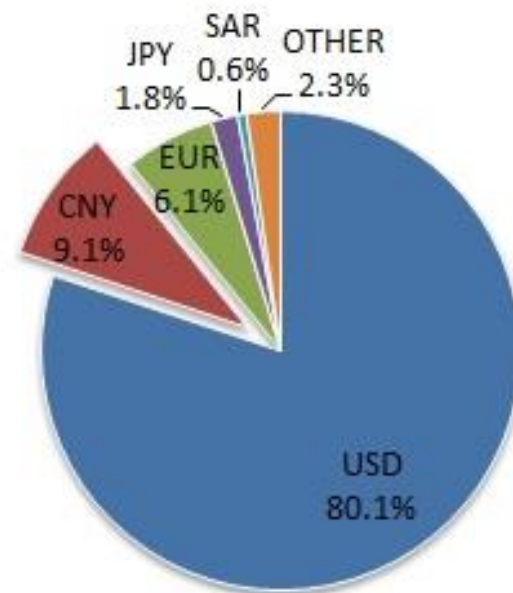
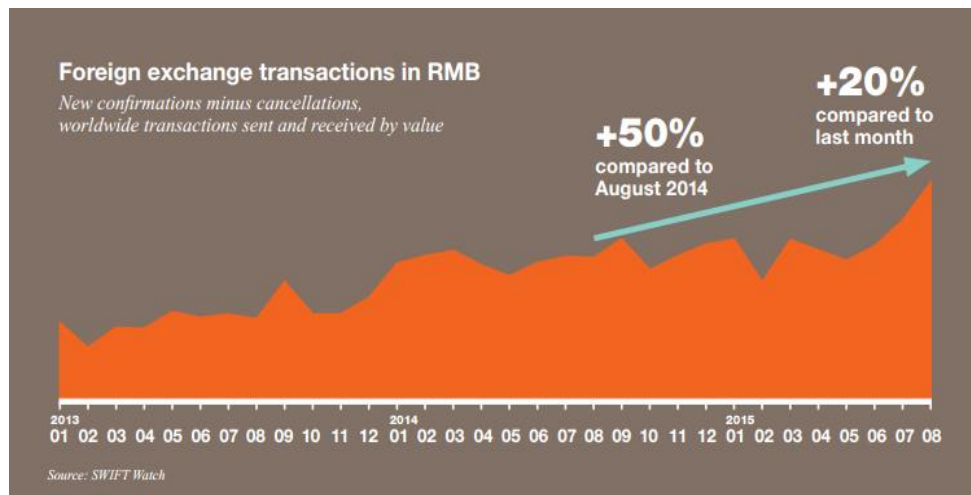
Source: HKEx

## RMB offshore markets witnessed sound development despite market volatility and Forex rate depreciation

- The overall offshore RMB deposit volume has shrunk a little due to the fluctuation of RMB, with the major RMB offshore centers' volume estimated at 1.5 trillion yuan
- The issuance of RMB international bonds and notes reached 16.9 billion USD and the outstanding amount reached 98.4 billion USD in 2015 with double-digit increase.
- In October 2015, PBOC, China's central bank, launched its first offshore renminbi bonds in London, raising 5 billion Yuan. This is the first Chinese government bond outside of China, aiming to provide high quality offshore RMB investment product and promote RMB as a global reserve currency.



# Internationalization of RMB – FX Transaction & Trade Finance



Global trade finance currency

## RMB foreign exchange transaction grows quickly in the last 5 years

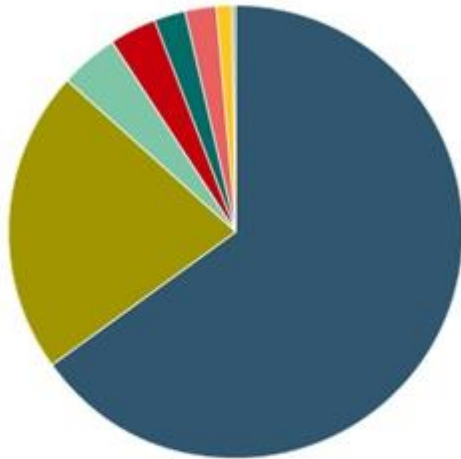
- By the end of the 3<sup>rd</sup> quarter of 2015, the volume of global FX increased 2%, during this same period RMB FX grew approximately 40%, accounting for nearly 4.25% of the global market
- The world's 6<sup>th</sup> currency in FX trading ( approximately 2.8%)

## RMB ranks the 2<sup>nd</sup> most used currency in global trade finance

- In the field of traditional trade finance instruments, RMB becomes the second most used currency with a 9.1% share

# Internationalization of RMB – Global Reserve Currency

Composition of foreign exchange reserves at central banks at end of 2014 (in percent)



U.S. dollar	<b>63.67</b>	Australian dollar	<b>2.11</b>
Euro	<b>21.03</b>	Canadian dollar	<b>1.99</b>
Pound	<b>4.07</b>	Yuan	<b>1.11</b>
Yen	<b>3.45</b>	Swiss franc	<b>0.23</b>

Source: IMF

## Further development of RMB as the global reserve currency

- RMB has a global share of 1.11% as foreign exchange reserve by the central banks according to IMF
- RMB ranks 7th in the world as an official reserve currency
- According to People's bank of China, the overseas central banks/monetary authorities have held 666.7 billion Yuan of RMB asset by the end of 2015



# Ⓜ Highlights: RMB in SDR— a Milestone



On 30 November 2015, the IMF confirmed the inclusion of the RMB in its Special Drawing Rights (SDR) basket, beginning October 2016.  
RMB has officially become a global currency.

A major trade country

two  
criteria

Freely usable



Largest exporter  
and 2<sup>nd</sup> largest  
importer in the  
world



Acknowledgement  
of the effectiveness  
of China's financial  
reforms



**RMB's inclusion in the SDR will help to keep the currency's internationalization on track and further accelerate China's financial liberalization.**

# Ⓢ Highlights: RMB in SDR— a Milestone

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**what can be expected next?**

The IMF official approval as SDR will boost the RMB asset percentage in the global investment portfolio

Further increase in the global central banks' Forex reserve. By 2025, RMB is estimated to take up a share of 10% of all.



Chinese RMB bond market will embrace huge demand from international investors, roughly around two trillion Yuan in 5 years.

“Belt and Road Initiatives” region will likely be the first to witness breakthrough of RMB circulation in the real economy

# Highlights: RMB Bond — Onshore Market

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## ***China Onshore Bond Market is open to Global Investors and Issuers***

On the investment side, People's Bank of China (central bank) has made the announcement to welcome and invite all qualified global institutional investors to make direct investment into all categories of RMB bonds traded on the Inter-bank Bond Market (“CIBM”).

On the funding side, all qualified global corporation, financial institutions and sovereign entities are allowed and encouraged to raise RMB through debt offering (“Panda Bond”) in the on-shore market.

- ❑ The Chinese bond market is huge: 46 trillion Yuan in 2015
- ❑ The liquidity is excellent: trading volume 580 trillion Yuan
- ❑ The funding can be used both onshore and offshore
- ❑ Establish superior market image and gain good reputation
- ❑ The market yield is decreasing which makes it cost-effective



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## **RMB services and products by BOC for the Local Market**

# RMB Service Network in the CEE region

Bank of China Hungary was appointed by People's Bank of China as the official RMB clearing bank in Hungary and CEE region on Jun. 25<sup>th</sup>, 2015.



Official launching ceremony was held on Oct. 2<sup>nd</sup>, 2015. Orbán Viktor, Prime Minister of Hungary and Tian Guoli, Chairman of Bank of China attended the unveiling ceremony.

Bank of China Hungary



Bank of China (Hungary) Close Ltd  
Prague Branch

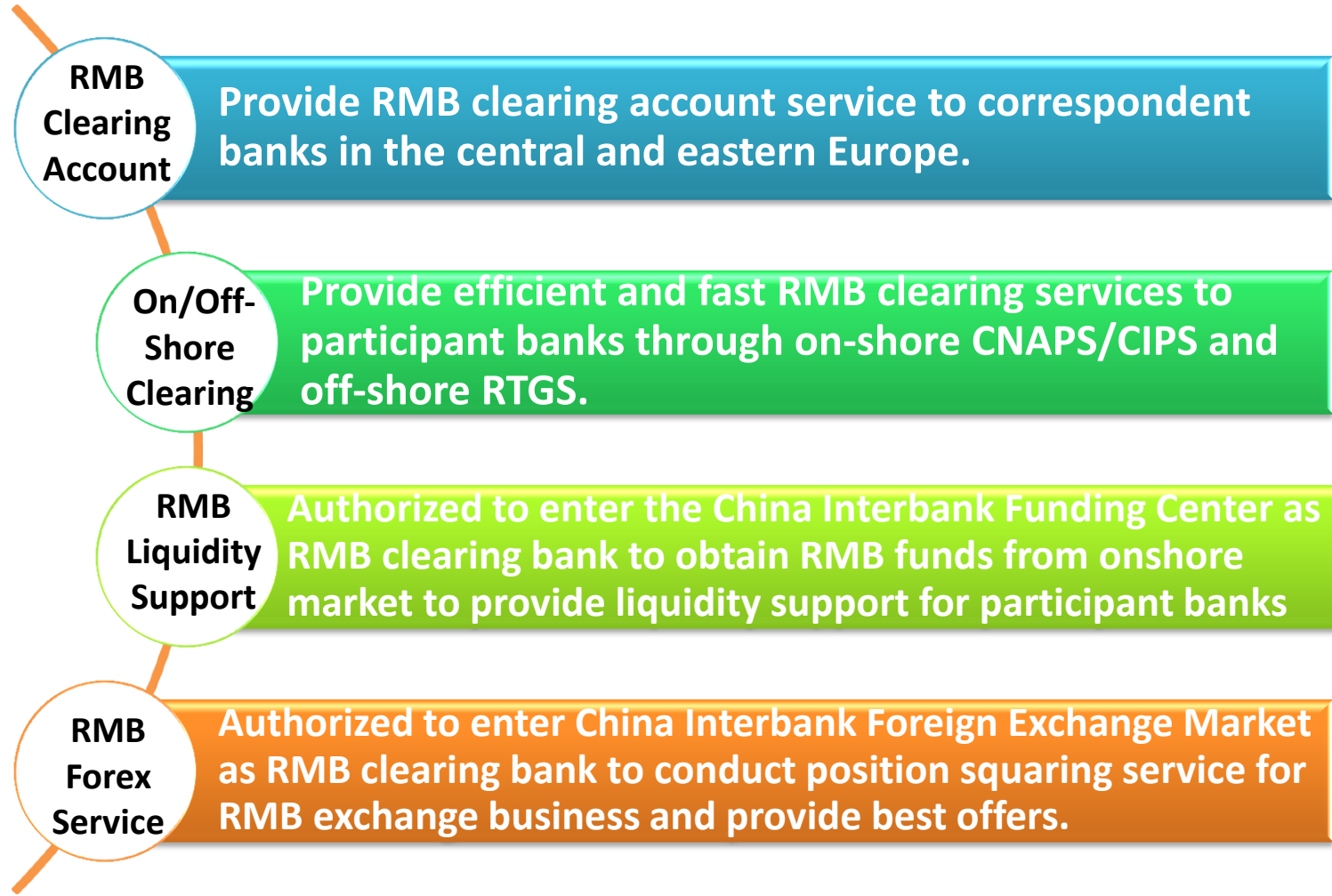
*The sound network shows commitment to this region and the capability to provide better service and products*



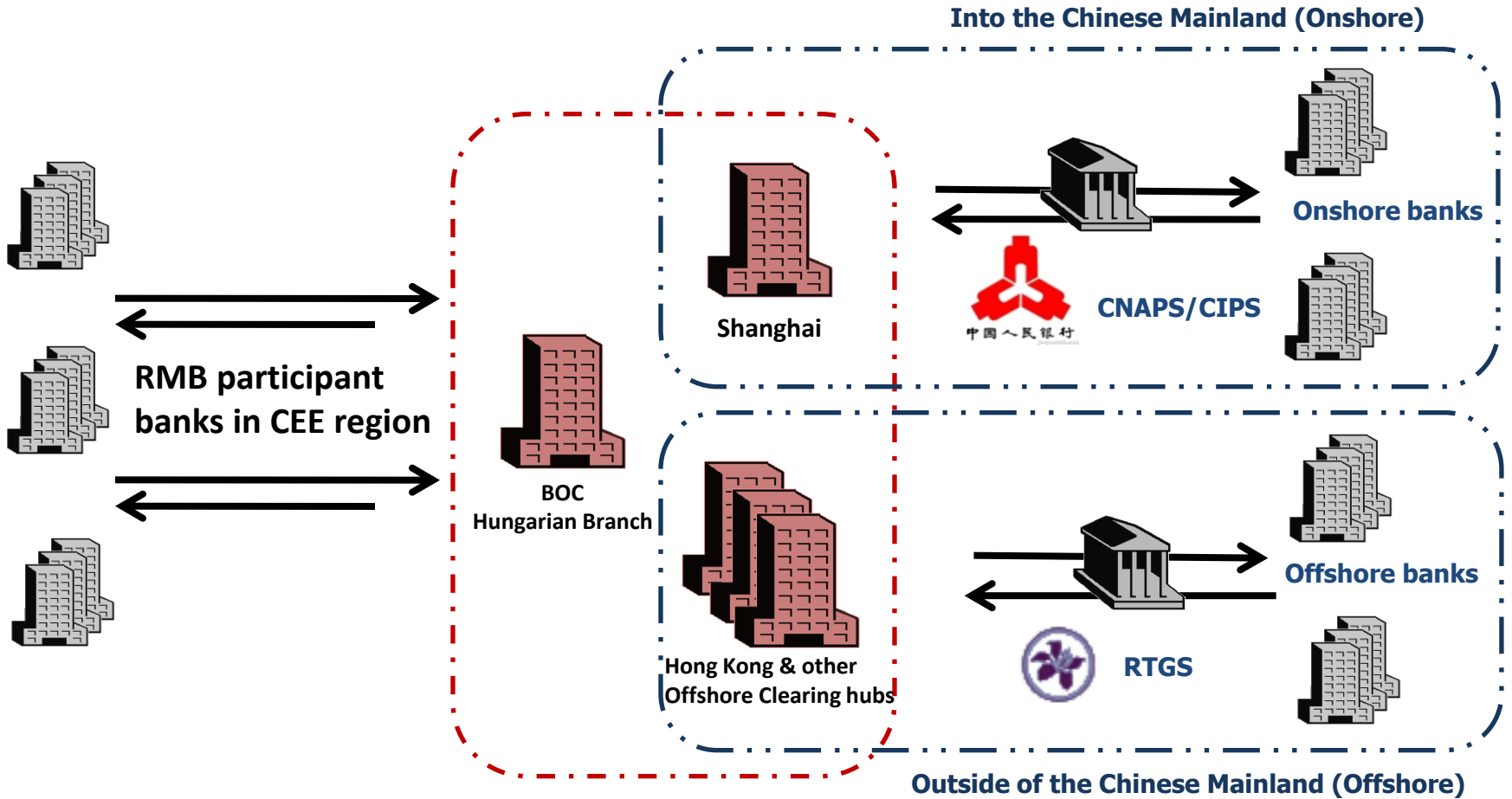
Bank of China (Hungary) Close Ltd  
Vienna Branch

# RMB Clearing: Full Range of Services

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# RMB Clearing: High-efficient on/off-shore transaction



# RMB Clearing: High-efficient on/off-shore transaction

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- Cut-off-time limits of clearing bank to participation banks for payment instructions:
  - Onshore(into Mainland China) T-1
    - STP PYMT instructions:
      - 16:00 (Budapest Time)
    - NSTP PYMT instructions:
      - 15:30 (Budapest Time)
  
  - Offshore T=0
    - STP PYMT instructions:
      - 15:00 (Budapest Time)
    - NSTP PYMT instructions:
      - 14:30 (Budapest Time)







# RMB Clearing: Low Service Charge

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Type of Charge	Item	Standard Rate	Special Rate for Participant Bank
<b>Account Administration Fees</b>	Account Maintenance	RMB 1,000.00 (monthly)	Waived until 31 December 2017*
	Posting	RMB 25.00 (per post)	Waived
<b>Payment Service Fees</b>	MT103	tbc, RMB 200 per payment transfer	Waived until 31 December 2017*
	Amendment of Payment Instruction by Participant Bank	RMB 200.00 per payment transfer	Waived **
	Cancellation of Payment Instruction by Participant Bank	RMB 200.00 per payment transfer	Waived **
	SWIFT Inquiry	RMB 200.00 per payment transfer	Waived **
	MT950 Report	RMB 1,000.00 monthly	Waived
	Interest Statement	RMB 10.00 monthly	Waived

\*These fees are waived at least until 31 December, 2017. The Clearing Bank will inform the participant Banks about the introduction of these fees at least six months in advance.

\*\*Third party charges will be passed on.

# RMB Investment: Settlement and Agency Services

China Onshore Markets

## Equity Investment

(Stock Exchange A Share)

## Bond Investment

(China Inter-bank Bond Market)

Programs

**QFII/RQFII**  
(CSRC Administrated)

**Qualified Institution Investors**

(PBOC Administrated)

**QFII/RQFII**  
(CSRC Administrated)

BOC Services & Expertise

**Market Entry  
Application**

**Local Custodian**

**Brokerage**

**Investment Advisory**

**Market Entry  
Registration**

**Local Custodian**

**Settlement Agent**

**Investment Advisory**

# RMB Investment: Settlement and Agency Services

- Bank of China is the only franchise in China that has the full coverage of securities and investment service capability.

Custodian



Brokerage

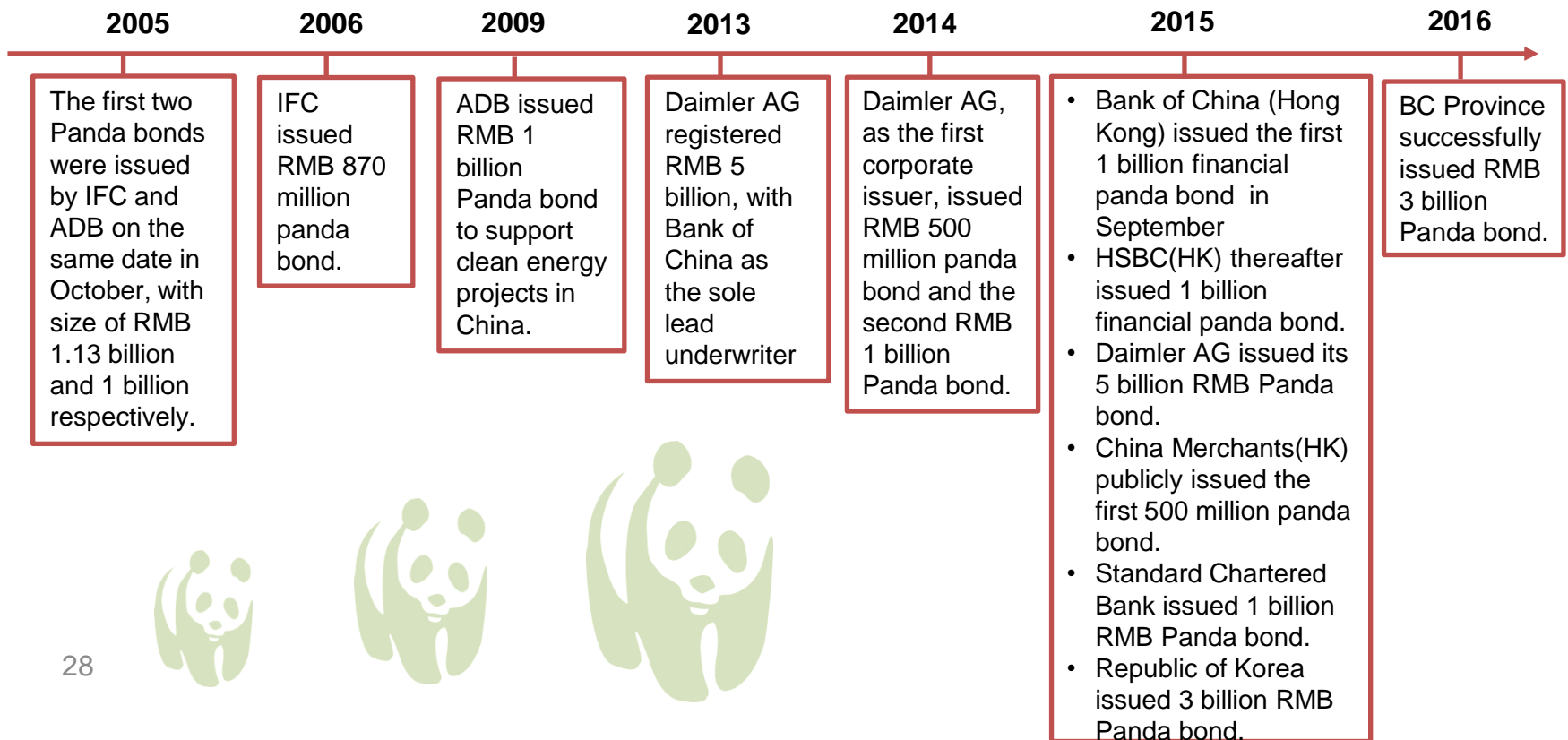


Investment  
Management



# RMB Funding: Panda Bond Issuance

- Panda Bond is a RMB-denominated bond issued by foreign institutions in China's Bond Market.
- Different type of Issuer, the authorities and issuance requirements are different.
  - Panda Bond issued by Sovereign Institutions is supervised by PBOC&NAMFII.
  - Panda Bond issued by financial institutions is supervised by PBOC.
  - Panda Bond issued by corporate is supervised by NAFMII.
  - International Development Institutions can file issuance application with Ministry of Finance, which shall ,upon its examination and approval of such application in conjunction with the PBOC,NDRC,CSRC,SAFE and other regulators, report it to the State Council.





# RMB Funding: Panda Bond Issuance

Bank of China is among the leading underwriters in Chinese interbank bond market.

## Main Services and Expertise

- Regulatory Registration
- Documentation
- Underwriting
- Distribution

## Core Strengths

- Experienced global team and industry expertise offer top services to clients all over the world;
- Close connection with Authorities;
- Play key roles in Chinese bond market as underwriter, investor and market maker.

## Achievements in Bond Market

- First Underwriters of Commercial Paper (May, 2005)
- First Underwriters of medium term notes (May, 2008)
- First Underwriters of Private Placement Note (Apr, 2011)
- BOC is also leading underwriter in offshore RMB bond market.

## Experienced with all existing types of Panda bonds

### International Development Institutions (“IDI”)

- BOC Group helped Asian Development Bank issue 1 billion Yuan Panda bonds.

### The First Financial Institution’s Panda Bond

- BOC, as the sole lead underwriter and book-runner, helped Bank of China (Hong Kong) issue 1 billion Yuan Panda bonds.

### The First Corporate’s Panda Bond

- BOC, as the sole lead underwriter and book-runner, helped Daimler AG issue 4.5 billion Yuan Panda bonds.

### The Sovereign Institution’s Panda Bond

- BOC, as the lead underwriter and book-runner, helped BC Province issue 3 billion Yuan Panda bond.

# RMB Services and Products in the Local Market

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## Sovereign Institutions

- RMB investment agency and advisory service in the Chinese bond/equity market for those central banks with RMB reserve
  - RMB bond issuance service for the debt-management department of the government to help raise capital and gain influence.
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## Corporate Clients

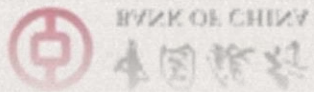
- RMB account, settlement, payment and remittance service
  - RMB loans and term deposit
  - RMB cross-border security financing, both directions are feasible
  - RMB trade finance, like negotiated payment or financing business
  - RMB- and China-related business opportunity matchmaking service
- 

## FI Clients

- RMB clearing service. For our service users we will organize a RMB special training program in China
  - RMB MM trading, such as RMB Spot/Forward/Swap can be traded at better offer due to the official clearing bank authorization\*
  - RMB special credit facility. We offer a certain credit limit in RMB MM trading, account overdraft and inter-bank lending.
  - RMB negotiated term deposit and long term RMB lending.
  - RMB investment agency service and on/off-shore Bond issuance service
- 

## Individual Clients

- RMB/Forint (other CEE currency) cash exchange service, which will facilitate the consumption of Chinese travelers in the region
- RMB/Forint(other CEE currency) dual currency debit card, which will provide convenience to the frequent China-CEE traveling business people \*



**Thank you!**



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