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

Budapest Renminbi Initiative 2016
May 25th

2. Internationalization of RMB: Status Quo and Highlights

3. RMB Services and Products by BOC for the Local Market
1  Bank of China: A Global Leader in RMB Business
One Hundred Years of History and Honors

Bank of China was founded in Shanghai
Chartered by the government as the int’l FX bank
Functioned as state-designated specialized FX and int’l trade bank
BOC limited formally incorporated as a joint stock commercial bank
As the only bank in emerging economies to be enrolled as GSIFI


Functioned as the country’s central bank
Became the government’s int’l trade bank
Restructured into a wholly state-owned commercial bank
Listed on both HK and Shanghai Stock Exchange
Celebrates one-hundred years’ anniversary

Awards and Honors

- 2011-2015: Best RMB Clearing Bank in Asia Pacific
- 2014: Best Capital Management Project in China
- 2014: Best Cash Management Bank in Hong Kong
- 2012-2015: Best Trade Finance Bank in China
- 2012 & 2013, 2015: Best Domestic Cash Manager in China
- 2013: Best Private Bank in China
- 2013 & 2014: Best Trade Bank in China

- 2014: Best Cross-border RMB Bank in China
- 2014: Best Foreign Exchange Provider in China
- 2014-2015: Best Supply Chain Finance Provider in China
- 2014-2015: Best Trade Finance Bank in China
- 2015: Best Debt Bank in China
- 2014 & 2015: Most Professional Investment Grade Financial Institution Borrower in Asia
- 2012: Private Bank Country Awards in China
- 2015: Best Investor Relations
- Golden Prize of Round Table for Excellent Board of Directors
Key Facts of Bank of China

Key Facts (31st Dec. 2015)

- Total Assets: RMB 16,815.6 bn (USD 2.59 trillion)
- Shareholders’ Equity: RMB 1,304.9 bn (USD 200.9 bn)
- Operating Income: RMB 474.3 bn (USD 73.04 bn)
- After-tax profit: RMB 179.4 bn (USD 27.63 bn)
- CET 1 CAR: 12.07%
- World ranking by CET1 capital: 4th
- ROE: 14.53%
- No. of Employees: 310,042
# Credit Ratings with Peers

<table>
<thead>
<tr>
<th>Moody’s (M)</th>
<th>Aa3</th>
<th>A1</th>
<th>A2</th>
<th>A3</th>
<th>Baa1</th>
<th>Baa2</th>
<th>Notch Changes Since July 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch (F)/S&amp;P (S)</td>
<td>AA-</td>
<td>A+</td>
<td>A</td>
<td>A-</td>
<td>BBB+</td>
<td>BBB</td>
<td>Moody’s</td>
</tr>
<tr>
<td>Bank of China</td>
<td>M</td>
<td>S / F</td>
<td></td>
<td></td>
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<td></td>
<td>-</td>
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<tr>
<td>Bank of America</td>
<td>F</td>
<td>M/S</td>
<td></td>
<td></td>
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<td>6</td>
</tr>
<tr>
<td>Citigroup</td>
<td>F</td>
<td>S</td>
<td>M</td>
<td></td>
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<td>1</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>F</td>
<td>S</td>
<td>M</td>
<td></td>
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<td>3</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>M</td>
<td>F</td>
<td></td>
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<td>5</td>
</tr>
<tr>
<td>HSBC</td>
<td>F</td>
<td>S</td>
<td>M</td>
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<td></td>
<td>N/A</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>F</td>
<td>S</td>
<td>M</td>
<td></td>
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<td>4</td>
</tr>
<tr>
<td>Societe Generale</td>
<td>M / S / F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Standard Chartered PLC</td>
<td>M</td>
<td>F</td>
<td>S</td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>UBS</td>
<td>M</td>
<td>S / F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co</td>
<td>F</td>
<td>M/S</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Company Financial Reports, Bloomberg. Data as of 3 June 2015

Note: M, S, and F denote Moody’s, S&P, and Fitch, respectively.
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

- 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: 331 trillion (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

<table>
<thead>
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<tbody>
<tr>
<td><strong>Book Runner</strong></td>
<td><strong>Rankings</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td>Bank of China</td>
<td>1</td>
<td>55.46%</td>
</tr>
<tr>
<td>Bank of Communications</td>
<td>2</td>
<td>8.04%</td>
</tr>
<tr>
<td>HSBC</td>
<td>2</td>
<td>8.04%</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>4</td>
<td>8.04%</td>
</tr>
<tr>
<td>Citic Securities</td>
<td>5</td>
<td>7.93%</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>6</td>
<td>5.16%</td>
</tr>
<tr>
<td>Citi</td>
<td>6</td>
<td>5.16%</td>
</tr>
<tr>
<td>China Merchants Bank</td>
<td>8</td>
<td>2.17%</td>
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</tbody>
</table>

- BOC is the only underwriter who underwrote all investment grade sovereign and quasi-sovereign RMB bond

Source: Bloomberg, Wind dated Dec 31, 2015
Internationalization of RMB: Status Quo & Highlights
Internationalization of RMB – Payment & Settlement

RMB ranks as the world’s 5th 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

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

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

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

RMB foreign exchange transaction grows quickly in the last 5 years

• By the end of the 3rd 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 6th currency in FX trading (approximately 2.8%)

RMB ranks the 2nd 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

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
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
Largest exporter and 2nd largest importer in the world
Freely usable
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

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.

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

What can be expected next?
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
RMB services and products by BOC for the Local Market
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. 25th, 2015.

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

The sound network shows commitment to this region and the capability to provide better service and products.
RMB Clearing: Full Range of Services

- **RMB Clearing Account**: Provide RMB clearing account service to correspondent banks in the central and eastern Europe.

- **On/Off-Shore Clearing**: Provide efficient and fast RMB clearing services to participant banks through on-shore CNAPS/CIPS and off-shore RTGS.

- **RMB Liquidity Support**: Authorized to enter the China Interbank Funding Center as RMB clearing bank to obtain RMB funds from onshore market to provide liquidity support for participant banks.

- **RMB Forex Service**: Authorized to enter China Interbank Foreign Exchange Market as RMB clearing bank to conduct position squaring service for RMB exchange business and provide best offers.
RMB Clearing: High-efficient on/off-shore transaction

Into the Chinese Mainland (Onshore)
- Onshore banks
- Shanghai
- CNAPS/CIPS
- BOC Hungarian Branch
- RMB participant banks in CEE region

Outside of the Chinese Mainland (Offshore)
- Offshore banks
- Hong Kong & other Offshore Clearing hubs
- RTGS
RMB Clearing: High-efficient on/off-shore transaction

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

*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.
Equity Investment
(Stock Exchange A Share)

Bond Investment
(China Inter-bank Bond Market)

China Onshore Markets

Programs

QFII/RQFII
(CSRC Administered)

Qualified Institution Investors
(PBOC Administered)

QFII/RQFII
(CSRC Administered)

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>The first two Panda bonds were issued by IFC and ADB on the same date in October, with size of RMB 1.13 billion and 1 billion respectively.</td>
</tr>
<tr>
<td>2006</td>
<td>IFC issued RMB 870 million panda bond.</td>
</tr>
<tr>
<td>2009</td>
<td>ADB issued RMB 1 billion Panda bond to support clean energy projects in China.</td>
</tr>
<tr>
<td>2013</td>
<td>Daimler AG registered RMB 5 billion, with Bank of China as the sole lead underwriter.</td>
</tr>
<tr>
<td>2014</td>
<td>Daimler AG, as the first corporate issuer, issued RMB 500 million panda bond and the second RMB 1 billion Panda bond.</td>
</tr>
</tbody>
</table>
| 2015 | • Bank of China (Hong Kong) issued the first 1 billion financial panda bond in September  
  • HSBC(HK) thereafter issued 1 billion financial panda bond.  
  • Daimler AG issued its 5 billion RMB Panda bond.  
  • China Merchants(HK) publicly issued the first 500 million panda bond.  
  • Standard Chartered Bank issued 1 billion RMB Panda bond.  
  • Republic of Korea issued 3 billion RMB Panda bond. |
| 2016 | BC Province successfully issued RMB 3 billion Panda bond. |
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

<table>
<thead>
<tr>
<th>Sovereign Institutions</th>
<th>RMB investment agency and advisory service in the Chinese bond/equity market for those central banks with RMB reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB bond issuance service for the debt-management department of the government to help raise capital and gain influence.</td>
</tr>
<tr>
<td>Corporate Clients</td>
<td>RMB account, settlement, payment and remittance service</td>
</tr>
<tr>
<td></td>
<td>RMB loans and term deposit</td>
</tr>
<tr>
<td></td>
<td>RMB cross-border security financing, both directions are feasible</td>
</tr>
<tr>
<td></td>
<td>RMB trade finance, like negotiated payment or financing business</td>
</tr>
<tr>
<td></td>
<td>RMB- and China-related business opportunity matchmaking service</td>
</tr>
<tr>
<td>FI Clients</td>
<td>RMB clearing service. For our service users we will organize a RMB special training program in China</td>
</tr>
<tr>
<td></td>
<td>RMB MM trading, such as RMB Spot/Forward/Swap can be traded at better offer due to the official clearing bank authorization*</td>
</tr>
<tr>
<td></td>
<td>RMB special credit facility. We offer a certain credit limit in RMB MM trading, account overdraft and inter-bank lending.</td>
</tr>
<tr>
<td></td>
<td>RMB negotiated term deposit and long term RMB lending.</td>
</tr>
<tr>
<td></td>
<td>RMB investment agency service and on/off-shore Bond issuance service</td>
</tr>
<tr>
<td>Individual Clients</td>
<td>RMB/Forint (other CEE currency) cash exchange service, which will facilitate the consumption of Chinese travelers in the region</td>
</tr>
<tr>
<td></td>
<td>RMB/Forint(other CEE currency) dual currency debit card, which will provide convenience to the frequent China-CEE traveling business people *</td>
</tr>
</tbody>
</table>

*some business is under progress*
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