“Faced with complex operating conditions, the Bank will comprehensively push forward all tasks according to the overall framework of striding forward through transformation and growing stronger through reforms. The Bank will focus on deepening business transformation to improve operational efficiency, enhancing operational management mechanisms to improve management efficiency, accelerating smart-bank construction to improve customer experience and strengthening risk management to improve the quality of its development. The Bank will continuously enhance its operations and management through practical and effective measures to build a premier bank.”
In 2012, the Bank celebrated its centenary by recording another excellent performance. As at the end of 2012, the Bank’s total assets stood at RMB12.68 trillion, total liabilities were RMB11.82 trillion, and equity attributable to shareholders of the Bank was RMB824.677 billion, according to International Financial Reporting Standards. This represented increases of 7.19%, 6.74% and 13.92% respectively from the prior year-end. During the year, the Bank achieved a profit after tax of RMB145.522 billion, a year-on-year increase of 11.51%, and a profit attributable to equity holders of the Bank of RMB139.432 billion, an increase of 12.20%. Earnings per share increased by RMB0.05 to RMB0.50. The Board of Directors has proposed a dividend of RMB0.175 per share for 2012, pending for approval by the Annual General Meeting to be held in May 2013.

In 2012, the Bank’s profit achieved a steady growth. This was driven primarily by increases in net interest income and non-interest income, improvement of net interest margin, a decrease in credit cost and further enhancement of the input and output efficiency. Return on average total assets stood at 1.19%, a year-on-year increase of 0.02 percentage point. During the year, the Bank achieved a net interest income of RMB256.964 billion, an increase of 12.67% over the prior year, a net interest margin of 2.15%, an increase of 0.03 percentage point, and a non-interest income of RMB109.212 billion, an increase of 8.96% over the prior year. Non-interest income accounted for 29.83% of the Bank’s operating income, which remained the highest among domestic peers. Asset quality remained stable with a non-performing loan ratio of 0.95%, down 0.05 percentage point from the prior year-end. The ratio of allowance for loan impairment losses to non-performing loans increased by 15.55 percentage points to 236.30%. Credit cost was 0.29%, a decrease of 0.03 percentage point from the prior year. Operating efficiency continued to improve, and the Bank’s cost to income ratio fell to 31.81%, a year-on-year decrease of 0.77 percentage point.

In 2012, the Bank continued to implement its strategic development plan, adhered to focusing on efficiency and emphasising on streamlining structure and managing risks. It carried out its work diligently and continuously improved operational and management quality.

The Bank continued to streamline its structure. It adjusted its liability structure, vigorously expanded low-cost core deposits, and effectively controlled liability costs. It strengthened its efforts in adjusting credit structure, provided preferential support to China’s key industries, strategic emerging industries, green industries and small and medium enterprises, and extended more personal loans and the proportion of highly-profitable assets increased. Its fee-based business grew persistently and the business structure was further optimised. The Bank consolidated and enhanced the competitive advantages arising from its international and diversified businesses and overseas institutions’ assets grew by 13.05%. Together, domestic and overseas institutions undertook cross-border RMB settlement business of nearly RMB2.5 trillion, an increase of 42% over the prior year, maintaining the Bank’s leading position in the market. All of the Bank’s subsidiaries vigorously promoted business coordination, cross-selling and product innovation, thus achieving steady growth in overall operating income.
Message from the President

The Bank effectively controlled risks. It strengthened regular risk investigation, risk classification re-inspection, risk early warning and post-lending management. It continued to intensify risk control in key areas such as local government financing vehicles, the real estate sector and overcapacity industries, thus maintaining stable credit asset quality. The Bank improved the structure of its domestic and foreign currency investments, and enhanced its management of market risk. It improved the overall balancing of assets and liabilities, performed liquidity management in a more precise manner, and improved interest rate pricing rules and strategy. Preparations for the implementation of the New Basel Capital Accord progressed smoothly. The Bank strengthened the management of key areas, businesses and staff and put in place initiatives to prevent and control cases so as to eliminate potential risks.

The Bank enhanced its infrastructure construction. It began to implement the Smart-bank Construction Plan aimed at delivering a superior customer experience. It strengthened channel building, and enhanced its intelligence level and service capabilities. The Bank continuously improved the functions of its core banking system and comprehensively launched the integration and transformation of its overseas information systems. It persistently improved its operational service quality and accelerated the construction of its operating platform for unified payment, customer service and logistics. The Bank reinforced team building, increased frontline staffing level, improved its overseas human resources management system in line with the demands of its cross-border operations and strengthened personnel training and talent cultivation.

The year 2013 will present further important strategic development opportunities for the Bank. China will focus on improving the quality and effectiveness of its economic growth, further deepen its reform and opening up, continuously enhance its capacity for innovation and strengthen macro-control. It is expected that the economy will maintain rapid growth. Meanwhile, the global economic recovery will continue to face uncertainty and instability, while the domestic economy will continue to experience imbalances and disharmonies. The Bank will also encounter new challenges arising from the financial and technological disintermediation of the banking industry’s traditional business areas.

Faced with complex operating conditions, the Bank will comprehensively push forward all tasks according to the overall framework of striding forward through transformation and growing stronger through reforms. The Bank will focus on deepening business transformation to improve operational efficiency, enhancing operational management mechanisms to improve management efficiency, accelerating smart-bank construction to improve customer experience and strengthening risk management to improve the quality of its development. The Bank will continuously enhance its operations and management through practical and effective measures to build a premier bank.
Due to the needs of national financial work, Mr. XIAO Gang resigned from his positions as the Chairman of the Board of Directors, Executive Director, Chairman and member of the Strategic Development Committee of the Board of Directors of the Bank on 17 March 2013. Sincere gratitude and high praise is hereby presented to Mr. XIAO Gang for his excellent contribution to the Bank’s development during his term of office.

On behalf of the management, I would like to express our heartfelt gratitude to our colleagues across the Bank for your efforts and contribution, to all the directors and supervisors for your concern and guidance, and to our customers, investors and the public for your trust and assistance. Working shoulder to shoulder, let us persist in our committed efforts to forge another era of splendour for Bank of China.

LI Lihui
President
26 March 2013