Message from the President
2014 was an extraordinary year filled with unprecedented opportunities and challenges. Dedicated to the strategic goal of “Serving Society, Delivering Excellence”, the Bank persisted in the four wheels of business development, risk management, reform and innovation and team building to drive its development, thus achieving admirable operating results.

At the end of 2014, according to International Financial Reporting Standards, the Bank’s total assets stood at RMB15.25 trillion, total liabilities amounted to RMB14.07 trillion and equity attributable to shareholders of the Bank was RMB1.14 trillion. This represented an increase of 9.93%, 8.95% and 23.48% respectively from the prior year-end. During the year, the Bank achieved a profit for the year of RMB177.2 billion, a year-on-year increase of 8.22%, and a profit attributable to equity holders of the Bank of RMB169.6 billion, a year-on-year increase of 8.08%. The Bank’s capital adequacy ratio was 13.87%. The non-performing loan ratio was 1.18%, up 0.22 percentage point from the prior year-end. Asset quality was controlled within the target range.

In 2014, the Bank’s profit continued to rise, mainly driven by the following factors. First, net interest income and non-interest income achieved rapid growth. The Bank realised a net interest income of RMB321.1 billion, a year-on-year increase of 13.23%. Non-interest income stood at RMB135.2 billion, a year-on-year increase of 9.12%. Net interest margin climbed by 1 basis point to 2.25%. Second, the cost of risk was effectively controlled. The Bank’s credit cost was 0.58%, remaining at a relatively low level. Its various market risk limit indicators were under control. Third, operation efficiency was further improved. The Bank’s cost to income ratio was at 28.57%, a year-on-year decrease of 2.04 percentage points. The development of the Bank’s internationalised operations was remarkably rapid in 2014, and their contribution to the Group increased dramatically. Overseas institutions realised a profit before income tax of USD8.656 billion, a year-on-year increase of 29.91%. Their contribution to the Group’s profit before income tax increased by 3.60 percentage points from the previous year to 22.98%.

The Bank continued to serve the real economy and expanded business through the coordinated development of its domestic and overseas operations. In 2014, the Group’s new RMB and foreign currency loans amounted to RMB875.5 billion. Loans were mainly granted to major strategic industries, vital fields that benefit the people’s livelihood and key projects related to Chinese enterprises’ “Going Global” efforts. The Bank actively supported “Going Global” companies by committing total loans of USD121.9 billion to such projects as at the end of the year. It successfully helped CDH Investment to acquire Nanfu Battery and Fosun to acquire Caixa Seguros. It formulated seven measures to support the development of small and micro-sized enterprises, extending RMB145.5 billion of new loans to such firms in 2014. The number of SME credit customers using “BOC Credit Factory” exceeded 60 thousand. The number of customers using the Bank’s global cash management platform rose by 3,636, or 52.6%, and it became the cooperating bank on cash management for GE, LG Electronics, Ericsson, Airbus and other leading multinationals. The Group fulfilled USD3.92 trillion of international settlement volumes, maintaining its leading global position. It also completed RMB5.32 trillion of cross-border RMB settlement volumes, a year-on-year increase of 34%, maintaining leading market share. The Bank maintained the largest market share in spot/forward exchange of foreign currencies against RMB and proprietary gold trading on the Shanghai Gold Exchange. It became one of the first market makers for RMB against the British Pound, Euro, New Zealand Dollar and Singapore Dollar.
Message from the President

In 2014, the Bank properly responded to a complex situation and took multiple measures to prevent and control risks. It strengthened credit risk management, paid close attention to risk hazards triggered by economic deceleration, restructuring and the digestion of its previous stimulus package, enhanced study and judgment over the situation, and took timely measures to prevent risks. The Bank made earnest efforts to carry out risk control measures targeting local government financing vehicles, overcapacity industries and real estate, kept increment under strict control and pushed forward rectifications for credit enhancement. The Bank set up a specialised department for interbank businesses in line with new regulatory requirements. By adopting multiple measures, the Bank’s domestic institutions resolved RMB71.6 billion of non-performing assets throughout the year. Various emerging risk events were properly handled in order to minimise the losses. The Bank enhanced its market risk management, kept a close eye on market-based interest rate and exchange rate reform, and dynamically adjusted the Group’s market risk limit. It also reinforced its operational risk management, highlighted management responsibilities and checked risks in major fields, connections and positions, maintaining high-pressure momentum regarding case prevention. Internal control and compliance management were enhanced, and a new mechanism was established to help overseas institutions identify, evaluate and manage money laundering risks and improve compliance and risk control. Liquidity management was improved and key indicators such as the liquidity coverage ratio met regulatory requirement.

The Bank took several measures in the past year to consolidate its capital foundation with an eye on its future development. It successfully implement its capital replenishment plan, issued preference shares and tier 2 capital bonds in domestic and overseas markets and promoted the conversion of convertible bonds into shares. As a result, capital adequacy ratio was raised by 1.36 percentage points. The Bank was approved to implement the advanced approaches for capital management, becoming one of the first Chinese banks to implement the New Basel Capital Accord. It continued to deepen IT development and successfully rolled out its overseas information system integration and transformation project in Europe and Africa. Efforts were made to boost channel building and encourage outlets to improve their overall efficiency. The E-banking customers became more active. The migration ratio of financial transactions reached 70.71%, up 5.60 percentage points from the previous year. The Bank improved its global network structure and set up nine institutions including its New Zealand subsidiary. Pushing forward the construction of the E-finance Bank, it launched innovative online financial products such as Pension Financial Service, Wo Finance and Online Shipping Financial Services, and took proactive steps to popularised its smart E-Community and cross-border e-commerce settlement services. New trading volumes of online merchants exceeded RMB1.1 trillion.
2015 is a year full of reforms and expectations. As the Chinese economy enters the “new normal”, banks face new opportunities to deepen transformation and innovative development, as well as new challenges to effective risk control and sustained growth. Faced with both opportunities and challenges, the Bank will continue to follow the strategic goal of “Serving Society, Delivering Excellence”, adhere to the development trend towards internationalisation and accelerate the promotion of “three transformations”. The first transformation is from “pursuing size” to “pursuing quality”. The Bank will make capital constraints more influential to its operational management, comprehensively optimise its asset and liability structure and embrace a path of capital-saving development characterised by an appropriate balance between risk and reward. It will constantly improve the quality of growth and related benefits so as to realise intensified development. The second transformation is from “seeking comprehensiveness” to “seeking innovation”. The Bank will further strengthen its competitive advantages, fully leveraging its internationalised network and diversified platforms to provide customers worldwide with integrated financial services. In particular, it will closely follow national strategies and make significant enhancements to its internationalised operations, striving to become the main financial artery for the “Belt and Road” and the preferred bank for free trade zone business. Efforts will be made to further consolidate its position as the main channel for RMB internationalisation business, continuously improve financial services for “Going Global” enterprises, and realise differentiated operations. The third transformation is from “aspiring to speed” to “aspiring to precision”. The Bank will comprehensively improve management of capital, cost, process, risk, pricing, customer, talent, technology and operations so as to realise refined management. In particular, it will reinforce comprehensive risk management so as to realise full control over customer credit risk and to ensure credit assets quality and safety. Meanwhile, the Bank will pressed ahead solidly with the prevention and control of market risk, operational risk, liquidity risk and reputational risk, and keep the cost of risk under strict control, so as to ensure the sustainable and healthy development of various businesses.

On behalf of the management, I would like to avail myself of this opportunity to express heartfelt gratitude to the Bank’s employees for your hard work, to all directors and supervisors for your guidance, and to the Bank’s customers, investors and friends for your support. We will make steadfast efforts to forge ahead and general outstanding performance, unremittingly marching towards our strategic goal of “Serving Society, Delivering Excellence”!

CHEN Siqing
President
25 March 2015