Message from the President
In 2015, the Bank faithfully implemented the Government’s guidelines, policies and strategic arrangements and responded in a calm and measured manner to an unprecedentedly complex and volatile business environment, adhering at all times to its strategic goal of “Serving Society, Delivering Excellence”. Focused on the task of serving the real economy, it met its annual development objectives and delivered strong results by stabilising growth, adjusting structure, controlling risks and fortifying its foundations.

At the end of 2015, the Bank’s total assets stood at RMB16.82 trillion, total liabilities amounted to RMB15.46 trillion and equity attributable to shareholders of the Bank was RMB1.30 trillion, according to International Financial Reporting Standards. This represented an increase of 10.26%, 9.88% and 14.38% respectively from the prior year-end. The Bank achieved a profit for the year of RMB179.4 billion, a year-on-year increase of 1.25%, and a profit attributable to equity holders of the Bank of RMB170.8 billion, a year-on-year increase of 0.74%. The Bank’s common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.10%, 12.07% and 14.06%, respectively. The non-performing loan ratio was 1.43%, up 0.25 percentage point from the prior year-end, which remained within the target range.

In 2015, the Bank achieved steady profit growth despite the slowdown of the economy. This was mainly driven by the following four factors. First, net interest income and non-interest income continued to grow steadily. The Bank realised net interest income of RMB328.7 billion and non-interest income of RMB145.3 billion, a year-on-year increase of 2.35% and 7.42% respectively. Second, the Bank’s input/output efficiency continued to improve. The cost to income ratio was 28.30%, a year-on-year decrease of 0.27 percentage point. Third, the Bank took further steps to control the cost of risk, maintaining its credit cost at the relatively low level of 0.63%. Fourth, the Bank’s strengths in internationalised and diversified operations came to the fore, with its overseas business and integrated operations’ contribution to the Group continuously increased. The Bank’s overseas institutions realised a profit before income tax of USD8.775 billion, a year-on-year increase of 1.37%. Their contribution to the Group’s overall profit before income tax increased by 0.66 percentage point from the previous year to 23.64%. The profit before income tax of the Bank’s subsidiaries increased by 42% compared to the prior year, with its contribution to the Group’s overall profit before income tax up 1.36 percentage points.

In the past year, the Bank’s determined efforts to maintain stable development and promote business transformation have yielded stable growth across its operations. The scale of the Bank’s liabilities expanded steadily, with deposits in RMB and foreign currencies increasing by RMB834.9 billion or 7.75%. Specifically, deposits in RMB and foreign currencies in the Bank’s domestic institutions increased by RMB791.4 billion, up 9.17% from the previous year. The Bank continued to upgrade its asset structure with the aim of serving the real economy. Loans in RMB and foreign currencies saw an increase of RMB652.5 billion, up 7.69%. Growth in loans to micro and small-sized businesses outpaced average domestic loan growth by 1.52 percentage points, while the proportion of the Bank’s loans granted to aggressive growth and selective growth industries rose by 2.2 percentage points. The Bank accelerated its efforts to build the financial artery of China’s “Belt and Road” initiative. It granted approximately USD28.6 billion in credits to the “Belt and Road” countries, followed up 330 major projects and successfully issued the world’s first “Belt and Road” bond. The Bank maintained a leading position among global peers in terms of cross-border RMB clearing and settlement volume. It also seized market opportunities to improve its securities investment structure. The book value of its RMB-denominated investment portfolios stood at RMB2,109.2 billion, up 36.54% from the previous year, and the average rate of return on its foreign currency-denominated investment portfolios rose by 26 basis points.
Message from the President

In the past year, the Bank has made strenuous efforts to resolve non-performing assets and control risks, thus ensuring effective control of asset quality. Following the principles of “overall planning, control by category, an intensive, specialised and market-based approach and multiple policies”, the Bank worked out a holistic programme for resolving non-performing assets, combining various measures such as reorganisation, cash collection, batch disposal and write-off. In 2015, the Bank’s domestic institutions resolved RMB104.4 billion of non-performing assets, a year-on-year increase of RMB32.8 billion. Following the principle of “substance over form”, the Bank comprehensively strengthened control over the various risks involved in its business. This includes the specific risks arising from on-balance and off-balance sheet assets, actual and contingent liabilities, RMB and foreign currencies, online and offline services, agency and proprietary operations, local and other places, and domestic and overseas operations. It also pushed forward its marketing, credit granting, credit approval and post-lending management on a unified basis. The Bank improved its risk monitoring and early warning mechanisms. It stepped up the proactive exiting of risky businesses, reducing or terminating RMB107.3 billion of credit facilities to borrowers not involving non-performing assets. The Bank strengthened liquidity management and made great strides in building up its overseas fund pool. It also intensified internal control and fraud case prevention, improved the “three lines of defence” for internal control, and set in place 50 risk control measures for its grassroots outlets. In addition, the Bank pressed ahead with the construction of a centralised, automated and specialist anti-money laundering function.

In the past year, the Bank has steadily pushed ahead efforts to cement the foundations of its business and increase the efficiency of its grassroots operations. It accelerated the development of Internet banking by launching innovative products such as cross-border e-commerce direct link and easy-trade wealth management, and vigorously explored opportunities to apply big data to precision marketing and internet financing. Thanks to these efforts, the Bank’s customer base increased by 35% compared to the previous year and the increment volume of online merchant transactions topped RMB1.8 trillion. In 2015, the Bank considerably increased its IT output capacity, as shown by the successful implementation of a cross-border RMB payment system and other major projects. Phase-by-phase, the Bank recorded fresh achievements towards the “smart functionality” upgrade of its outlets. In 2015, 2,598 smart outlets were built. In addition, the Bank continued its channel integration efforts, with the migration ratio of transactions migrating to e-channels increasing by 3.87 percentage points.

2016 is a year full of challenges, but also a year full of potential. The Bank will comprehensively carry forward the spirit of the 5th Plenary Session of the 18th CPC Central Committee and of the Central Economic Work Conference. It will conscientiously implement the development concepts of innovation, coordination, green development, opening up and sharing, all while remaining true to its strategic goal of “Serving Society, Delivering Excellence”. The Bank will attach great importance to “innovation, transformation, mitigation and management and control” as it seeks to develop its all-round business and deliver a strong start to the
period of the 13th Five-Year Plan. First, the Bank will continue to seek innovation-led growth while striving to stay at the cutting edge of future development. It will implement the country’s “Internet Plus” action plan, proactively apply advanced technologies and industrial experience, boost innovation in technology and business modes, secure the strategic high ground needed to thrive in the era of mobile internet and shape new competitive and growth advantages. Second, the Bank will deepen business transformation and enhance operating efficiency. Continuing to implement major national strategies, the Bank will speed up business transformation and make new breakthroughs in structural adjustment. Geographically, it will place greater emphasis on its overseas operations and key domestic areas. Structurally, it will highlight the strategic importance of personal banking. In terms of revenue streams, the Bank will focus on growth in non-interest income, especially growth from capital-lite business. Third, the Bank will make unremitting efforts to resolve risks and improve its risk control system. It will accelerate the upgrading of its risk management system to ensure that it is fully in line with the new normal of economic development, regulatory requirements, the Bank’s status as a Global Systemically Important Bank and with its “cross-border, cross-industry and cross-sector” business model. Fourth, the Bank will strengthen Group-wide management and control and enhance developmental synergy. With a close focus on key fields and links, it will further improve its systems and mechanisms and pursue a higher level of refined and specialised management, with the aim of increasing the Group’s overall management and control capabilities.

On behalf of the Management, I would like to avail myself of this opportunity to express my heartfelt gratitude to all of our employees for your hard work, to our directors and supervisors for your guidance and assistance, and to our customers, investors and friends for your constant support. We will make steadfast efforts to pursue innovation and forge ahead, and we will repay the trust and care of our investors and friends with better business performance and by working hard to deliver excellence.

CHEN Siqing
President
30 March 2016