Message from the President
In 2016, the Bank faithfully implemented the Government’s guidelines, policies and strategic arrangements while pursuing its development strategy of “Serving Society, Delivering Excellence”. Placing emphasis on “innovation, transformation, mitigation, management and control”, the Bank met its annual development objectives and made a strong start for the 13th Five-Year Plan Period.

At the end of 2016, the Bank’s total assets stood at RMB18.15 trillion, its total liabilities amounted to RMB16.66 trillion and the equity attributable to shareholders of the Bank was RMB1.41 trillion according to International Financial Reporting Standards, representing an increase of 7.93%, 7.79% and 8.18% respectively from the prior year-end. The Bank achieved a profit for the year of RMB184.1 billion, a year-on-year increase of 2.58%. The Bank’s common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.37%, 12.28% and 14.28%, respectively. The non-performing loan ratio was 1.46%, up 0.03 percentage point from the prior year-end, which remained within the target range.

In 2016, the Bank achieved steady profit growth, driven mainly by the following four factors: First, the income structure was further optimised. The Bank realised non-interest income of RMB179.6 billion, a year-on-year increase of 23.64%. Non-interest income accounted for 36.98% of total income, up 6.33 percentage points from the prior year. Second, operating efficiency improved steadily. The cost to income ratio was 28.08%, a year-on-year decrease of 0.22 percentage point. Third, the international strategy gained pace. The Bank’s overseas institutions realised a profit before income tax of USD12.234 billion, a year-on-year increase of 39.42%. Their contribution to the Group’s overall profit before income tax rose by 12.63 percentage points from the prior year to 36.27%. Fourth, the Bank made solid progress in its strategic adjustments. It completed a number of major projects, including the transfer of shares of Nanyang Commercial Bank, Limited, the listing of BOC Aviation, the integration of its Southeast Asian institutions and the organisational restructuring in Shandong and Liaoning provinces. In particular, the Bank continued to cement its capital base and maintained its capital adequacy ratio above 14% at the end of 2016. The ratio of allowance for loan impairment losses to NPLs grew by 9.52 percentage points year-on-year to 162.82%, indicating stronger risk resilience against the market trend.

Over the past year, the Bank has injected stronger impetus into innovation-led development. The development of internet finance picked up speed, with the number of registered customers increasing by 93% over the prior year and the transaction volumes breaking the RMB2.6 trillion mark. The Bank launched the “BOC E-Credit” product to provide comprehensive online financing services. Its electronic channels were upgraded at a faster pace, including the successful launch of the “Mobile Banking 3.0”. “Smart counters” were put into trial operation, significantly improving outlets’ customer throughput, customer experience and product sales. As part of the growing IT outputs, the Bank successfully completed a number of major IT projects, including the integration and transformation of overseas information systems in the Americas. The Bank also achieved significant milestones in process optimisation, including the launch of its electronic seal system and standardisation of outlet workflows.
Message from the President

In the past year, the Bank deepened business transformation and improved its asset and liability structure in order to achieve higher efficiency. Due to customers increased by RMB1.2 trillion, up 10.32% from the prior year, while the ratio of average balance of domestic RMB demand deposits increased by 3.47 percentage points. Loans and advances to customers added RMB837.5 billion, up 9.17%. The proportion of loans to industries classified as “aggressive growth” and “selective growth” rose by 2.3 percentage points. The Bank’s loans to small and micro-sized enterprises met the “Three No-Less-Than’s” objective. Bond investment income surged by 238% thanks to the well-timed sale of bonds. The Bank’s business transformation efforts were fruitful. The proportion of the Bank’s comprehensive income from personal banking business rose by 1.3 percentage points, marking a notable achievement in the Bank’s strategy for accelerating the development of personal banking. Quickening the pace of its corporate banking transformation, the Bank has granted a cumulative total of USD59.4 billion in credit facilities to support the building of the “Belt and Road” financial artery. The Bank provided USD14.8 billion of financing for cross-border M&A in 2016, ranking first among Asia Pacific banks. The Bank maintained a leading edge in global markets business, topping the industry in foreign exchange trading. The Bank remains the world’s number one bank in terms of cross-border RMB clearing and settlement. The “key regions” strategy has also delivered remarkable results, evidenced by a rise of 3.6 percentage points in the proportion of total operating income contributed by key regions including the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macau region.

In the past year, the Bank made strenuous efforts to mitigate risks and thus maintained stable asset quality. The Bank stepped up efforts to tackle non-performing assets (NPAs) on an intensive, specialised and market-based basis. In 2016, the Bank resolved RMB128.9 billion of NPAs, a year-on-year increase of RMB24.5 billion. Thanks to proactive efforts to identify and mitigate potential risks, the Bank resolved RMB152.3 billion of corporate overdue loans before they became non-performing. As a new method of resolving NPAs, the Bank successfully issued China’s first NPA-backed corporate securities since the relaunch of the credit asset-backed securitisation business. Low-risk business and wealth management business were incorporated into aggregate credit management in an effort to strengthen comprehensive risk management and unified credit granting. Customer concentration management was strengthened by setting limits on Group-wide balances and member shares of credit facilities. Interest rate and foreign exchange risk management was intensified in order to reduce the overseas institutions’ foreign exchange risk and trading costs. The Bank also stepped up liquidity risk management and raised funds by various means to allow for business development.

In the past year, the Bank enhanced its Group-wide management so as to create stronger momentum for future development. Systems and mechanisms were improved to enhance the customer-centric marketing of all products, with the mechanism of collaboration between customer and product implemented successfully. The Bank implemented dynamic management of assets and liabilities, refined its mechanism for the allocation of expenses and capital, so as to achieve greater management refinement
and specialisation. The Bank made steadfast efforts in internal control and fraud prevention, including risk screening and rectification in key work areas. The monetary amount and number of fraud cases fell by 69% and 38% in 2016, respectively. The Bank implemented a three-year anti-money laundering (AML) plan and set up AML centres in Beijing and Guangdong for the centralised screening of inbound and outbound remittance transactions against AML sanctions lists. With its audit supervision strengthened, the Bank audited nearly 3,000 domestic and overseas institutions across the major business lines and high-risk fields in 2016.

2017 comes with challenges and opportunities. The Bank will fully implement the guiding principles of the 18th National Congress of the CPC, the Third, Fourth, Fifth and Sixth Plenary Sessions of the 18th CPC Central Committee and the Central Economic Work Conference. The Bank will follow the general principle of “progress with stability”, emphasising steadiness in its core work with the aim of achieving sustainable development. First, the Bank will steadfastly implement the development strategy of “Serving Society, Delivering Excellence” and make new progress in international development, cross-border matchmaking, community banking, targeted poverty alleviation and international financial exchange and training. Second, the Bank will endeavour to make progress while maintaining stable performance on all fronts. It will make progress in structural adjustments while keeping the asset size stable, make progress in liability business while keeping asset business stable, make progress in overseas operations while keeping domestic businesses stable, make progress in non-interest income while keeping interest income stable, make progress in service quality while keeping service base stable, and make progress in resolving non-performing assets while keeping asset quality stable.

In addition, we will take effective measures to further connect on-shore and off-shore markets, integrate on-balance-sheet and off-balance-sheet businesses, and synchronise online and offline services, under the prerequisite of conforming to domestic and overseas regulatory requirements and policies. Third, we will strengthen comprehensive risk management and implement the Central Government’s arrangements to prevent and control risks more proactively and urgently. We will plug loopholes and eliminate problems, parse problems into root causes and symptoms, and adopt classification-based solutions to ensure that, as a large state-owned bank, the Bank plays a vital role in safeguarding China’s financial stability.

On behalf of the Management, I would like to avail myself of this opportunity to express my heartfelt gratitude to our directors and supervisors for your guidance, to all of our employees for your hard work, and to our customers, investors and friends for your constant support. We will forge ahead and repay the trust and support of our investors, employees and friends with better business performance and by working hard towards our strategic goal of “Serving Society, Delivering Excellence”.

CHEN Siqing
President
31 March 2017