

# Message from the Chairman



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In this beautiful and vigorous spring season, I am pleased to present our 2018 annual results to the shareholders of the Bank and the public. According to International Financial Reporting Standards, the Group achieved a profit for the year of RMB192.4 billion, a year-on-year increase of 4.03%, and a profit attributable to equity holders of the Bank of RMB180.1 billion, a year-on-year increase of 4.45%. The ratio of non-performing loans was 1.42%, down 0.03 percentage point from the prior year-end. The allowance for loan impairment losses to non-performing loans was up 22.79 percentage points to 181.97% from a year earlier. The Board of Directors has proposed a dividend of RMB0.184 per ordinary share for 2018, pending approval by the Annual General Meeting to be held in May 2019.

In 2018, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we formulated a new development strategy for the Bank, persistently enabled advancement through technology, drove development through innovation, delivered performance through transformation and enhanced strength through reform, in an effort to build BOC into a world-class bank in the new era. In the past year, we adhered to the general principle of pursuing progress while ensuring stability, focused on serving the supply-side structural reform, and pushed ahead with work related to serving the real economy, preventing and mitigating risks, and deepening reform and innovation. By advancing the implementation of our development strategy, the Bank made a promising start on its journey towards building a world-class bank in the new era.

**We actively improved the quality and efficiency in serving the real economy.** The Group's total loans and advances to customers during the year increased by RMB922.714 billion over the end of the previous year, providing a wellspring of capital for the real economy. We continued to adjust and refine our credit structure, with new loans mainly granted to improve the weak links in infrastructure and to strategic emerging industries. We resolutely carried out the spirit of the symposium on private enterprises, taking the initiative to issue the *Twenty Provisions of BOC on Supporting Private Enterprises*. We enhanced the interaction of investment, loans and bonds, and

strictly controlled loan pricing and service charges to make financing more accessible and affordable for micro and small-sized enterprises. Our loans of inclusive finance increased by 12.26%, a higher growth rate than the bank-wide average.

**We actively served the supply-side structural reform.** We took firm steps to cut overcapacity, reduce excess inventory, assist with deleveraging, lower costs and strengthen areas of weakness, and our balance of loans to industries with overcapacity continued to fall. We actively practiced the concept of "lucid waters and lush mountains are invaluable assets", and our ratio of green credit steadily increased. We pushed ahead with "deleveraging" in a proactive and appropriate manner, and helped high-potential enterprises facing temporary financial challenges to survive their difficulties. In the past year, we carried out market-based debt-for-equity swaps with a total volume of RMB43.9 billion. Upholding the belief that houses are for living, not speculation, we earnestly implemented the housing finance policies and strictly carried out differentiated credit policies.

**We strongly prevented and mitigated risks.** We stuck to a "bottom line thinking" approach, better combined risk prevention and mitigation with serving the real economy, and consistently reinforced the "three lines of defence" in risk management. We stepped up the efforts of risk mitigation, with domestic branches disposing RMB152.5 billion of non-performing assets last year. We worked hard to perfect our internal risk control system, launched a compliance file system for all employees and established the internal control and compliance assessment system. We improved our management system and mechanism for consumer protection, resulting in our regulatory rating improving for two consecutive years. We thoroughly executed the requirement to straighten out banking market disorders, stepped up corrective measures and improved the internal control system. We also optimised the Group's institutional system for anti-money laundering, counterterrorism and sanction compliance and strengthened the anti-money laundering system. The Bank ranked first in the PBOC's rating of domestic commercial banks for anti-money laundering work.

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**We earnestly served China's all-round opening up.** We consistently provided financial services for the Belt and Road Initiative, and had accumulatively granted more than USD130.0 billion credit for projects along the Belt and Road, while maintaining sound asset quality. We held two Belt and Road International Financial Exchange & Cooperation Seminars for four Central and Eastern European countries and nine African countries, in a bid to deepen the economic and trade cooperation and people-to-people exchanges between China and those countries. We actively served the first China International Import Expo, held the Exhibitor-Businessman Supply-Demand Matchmaking Conference, and facilitated the reaching of 1,258 intentions of cooperation.

**We diligently performed targeted poverty alleviation.** We earnestly acted on the decisions and deployments made by the CPC Central Committee and the State Council in order to win the tough battle against poverty, and made all-out efforts in poverty alleviation. We continuously increased our input of financial resources, with our poverty alleviation loans increasing by 23% for the year to reach a balance of RMB62.4 billion. We actively brought together all kinds of resources at home and abroad to engage in poverty alleviation. The Bank assigned 1,550 management personnel to four impoverished counties in Xianyang, Shaanxi, as well as to 1,052 impoverished villages across the rest of the country, and provided RMB115 million gratuitous capital to them.

**Keeping abreast with the times and pressing ahead resolutely, we pushed forward the building of a world-class bank in the new era with solid steps.**

- **Technology played a larger role in enabling advancement and digitalised development accelerated.** With mobile banking, transaction banking and smart counter as carriers, we accelerated the digitalisation across the whole Bank. The number of subscribers to our mobile banking business exceeded 140 million and transaction volume exceeded RMB20 trillion, with customer experience and market reputation significantly improved. We completed the three

platforms of private cloud, big data and AI, and put into use a string of key projects including the intelligent investment advisor, smart customer service, smart risk control and quantitative transaction. The integration and transformation of overseas information systems was successfully completed, thus achieving unified systems, centralised deployments and integrated operation around the globe.

- **Innovation-driven development yielded abundant results and the product and service foundation was continuously consolidated.** We steadily promoted the establishment of a three-level innovation system, set up the Innovation and Product Management Committee under the Executive Committee, and formed the first Head-Office-level innovation R&D base in Singapore. A series of our star products were well received in the market, including the "BOC Wealth Accumulator", "Personal Deposit" and "BOC Robot Advisor". We launched a campaign to expand our merchant customer base, which secured more than 956 thousand of new customers and helped to drive an increase in personal deposits and financial assets of RMB30.0 billion and RMB52.7 billion respectively.
- **Performance through transformation resulted in solid progress and ability of value creation capacity continued to improve.** We made special efforts to optimise our business structure, with the contribution of personal banking operating revenue of the Group further increasing. Our capital-light businesses developed rapidly, including global businesses on behalf of customers and debt capital market. We accelerated the development of our global products and worldwide coordinated marketing, thus further enhancing business globalisation. We commenced the preparation for a wealth management subsidiary and BOC financial leasing, deepening our provision of comprehensive services. We also moved steadily ahead with our capital replenishment program and issued RMB80.0 billion of tier 2 capital bonds.

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- **“Enhancing strength through reform” was implemented across the Bank, alongside a constant flow of reforming drive and vigorous development.** Taking into account the different characteristics of our primary-level outlets, overseas organisations, comprehensive operation companies and Head Office departments, we established differentiated management measures to further optimise the Group’s management and control mechanism. We pushed forward the reform of the Head Office’s organisational structure in an appropriate manner, and improved the management model for inclusive finance, transaction banking and comprehensive operations. We improved our incentive and restraint mechanism by intensifying market benchmarking and placing greater emphasis on value creation. We actively sought out and cultivated excellent young management personnel, hosted training classes of the “Hundred-Talent Programme” and the “Sailing Programme”, placed management personnel of different age groups in appropriate positions, and encouraged them to work in areas with challenging conditions and on the frontline. We carefully practiced the CPC’s mass line, held the first employees’ work meeting in BOC’s history, and continuously motivated our employees to work with passion and vitality.

Guided by our development strategy, the Bank’s operation management reached a new level. First, our operating revenues exceeded RMB500.0 billion for the first time, recording the highest profits of recent years. Second, the allowance for loan impairment losses exceeded RMB107.0 billion, demonstrating enhanced ability to offset risk. Third, our capital adequacy ratio continued to rise, with our tier 1 capital ranking 3rd among the top 1000 banks worldwide, up one spot from the previous year. Fourth, our per-capita and per-outlet profits kept increasing. More importantly, these new achievements in operation management strongly invigorated the morale of our management personnel and employees. We believe that BOC will reach still greater heights as our development strategy is further implemented.

In 2018, the Bank completed the changes of some directors in accordance with relevant laws, regulations and the Articles of Association. Mr. LIU Liange began to serve as Vice Chairman and Executive Director of the Bank; Mr. WU Fulin and Mr. LIN Jingzhen began to serve as Executive Directors of the Bank; and Mr. LIAO Qiang and Mr. JIANG Guohua began to serve as Non-executive Director and Independent Director of the Bank respectively. On behalf of the Board of Directors, I would like to extend my warm welcome to the new directors and my heartfelt gratitude to Mr. REN Deqi, Mr. ZHANG Qingsong, Mr. ZHANG Xiangdong and Mr. Nout WELLINK, who have ceased to serve as Directors of the Bank, for their contributions to BOC’s reform and development.

The world today is faced with profound changes, never seen before in the past century. The external environment for the banking industry has become more severe and complicated. Following the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, BOC will adhere to the general spirit of seeking progress while maintaining stability and complete the work of deepening supply-side structural reform in the financial sector. We will maintain our strategic resolve, implement our strategy at still deeper levels, improve our financial services offering and prevent financial risks, with the aim of laying a decisive foundation to achieve our goals in the first stage of our strategy and celebrate the 70th anniversary of the founding of the People’s Republic of China by delivering outstanding performance.



**CHEN Siqing**  
Chairman  
29 March 2019