

Overview of Operating Performance

In the first half of 2019, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank remained committed to its strategic goal of building a world-class bank in the new era. Making great efforts to serve the real economy, anticipate and mitigate risks and deepen reform and innovation, it advanced the implementation of its development strategies across the board. As a result, the Bank's business development sustained a healthy momentum and made progress while ensuring stability.

Actively shouldering its responsibilities to serve the high-quality development of the real economy

Steadfastly pursuing its mission of serving the real economy, the Bank actively served major national strategies and initiatives, extended significant support to the development of key sectors, shored up weak links in the economy with innovative services and endeavoured to provide more efficient and high-quality services to the real economy. As at 30 June 2019, the Group's loans and advances to customers recorded an increase of RMB750.462 billion or 6.35% compared with the prior year-end. Among these, outstanding loans in key areas such as the Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei Region continued to account for a significant share. The Bank continued to support the Belt and Road Initiative. As at 30 June 2019, it had followed up on over 600 major Belt and Road projects accumulatively and granted total credit of more than USD140.0 billion. The Bank did its utmost to support the development of inclusive finance

and private enterprises. As at 30 June 2019, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises¹ grew by 27.07% over the prior year-end, outpacing the overall loan growth of the Bank.

Deepening reforms to achieve fruitful outcomes in strategy implementation

The Bank diligently implemented its strategic development plan and steadily advanced each of its key tasks, thus lifting its overall reform and development to new heights. Enabling advancement through technology, the Bank accelerated digitalisation by giving full play to the critical roles of mobile banking, transaction banking and smart counters. Driving development through innovation, the Bank further optimised its innovation mechanism, achieved rapid development across a range of signature business lines such as cross-border RMB settlement, cross-border RMB clearing and pilot free trade zone business, increased efforts in the R&D and promotion of innovative products such as "BOC Wealth Accumulator" and "BOC Robot Advisor", and thus sharpened its unique competitive edges. Delivering performance through transformation, the Bank enhanced its value-creation capabilities by making further headway in asset-light business, business globalisation and service diversification. Enhancing strength through reform, the Bank improved its organisational frameworks for inclusive finance, transaction banking and integrated operation management, as well as mechanisms for incentives and constraints and corporate governance, in order to invigorate the internal dynamism of the Group.

¹ Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Further Improving the Quality and Effect of Financial Services for Micro and Small-sized Enterprises in 2019* (Yin Bao Jian Ban Fa [2019] No. 48).

Recording sound growth in business results by making progress while maintaining stability

The Bank earnestly acted upon the requirement for high-quality development, steadily pushed forward its business development and constantly strengthened its internal management. As a result, it registered strong business performance and steadily improved its development quality. As at 30 June 2019, the Group's assets totalled RMB22,266.024 billion and its liabilities stood at RMB20,358.572 billion, representing a growth of 4.70% and 4.18% respectively compared with the prior year-end, thus maintaining a reasonable growth level. In the first half of 2019, the Group achieved a profit for the period of RMB121.442 billion and a profit attributable to equity holders of the Bank of RMB114.048 billion, an increase of 5.08% and 4.55% respectively compared with the same period of the prior year, demonstrating the improvement and steady footing of its financial performance. Its main indicators remained stable, return on average total assets (ROA) stood at 1.12% and return on average equity (ROE) was 14.56%.

Defending the bottom line to further enhance risk resilience

Always mindful of worst-case scenarios, the Bank continued to improve its comprehensive risk management system, strengthened its efforts in preventing potential risks, vigorously promoted the collection and mitigation of non-performing assets (NPA) and managed to maintain the Group's asset quality at a stable level. As at 30 June 2019, the Group's outstanding non-performing loans (NPLs) stood at RMB175.899 billion, with an NPL ratio of 1.40%. The Bank continuously improved its compliance risk governance mechanism and management process, and made great efforts to strengthen anti-money-laundering (AML) management. It optimised its capital management mechanism and steadily promoted its external capital replenishment. In the first half of the year, the Bank successively completed the issuance of RMB40.0 billion of undated capital bonds and RMB73.0 billion of domestic preference shares, which further strengthened its capital adequacy level.