

Message from the Chairman



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With the coming of spring, all is revitalised. As phased achievements have been further consolidated in the prevention and control of the COVID-19 epidemic in China, important progress has been made in work and production resumption, and the economic and social operation has been restored at a faster pace, we publish the 2019 Annual Report of Bank of China. On the one hand, I am honoured to present our 2019 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 RMB201.9 billion, a year-on-year increase of 4.91%, and a profit attributable to equity holders of the Bank of RMB187.4 billion, a year-on-year increase of 4.06%. The ratio of non-performing loans was 1.37%, down 0.05 percentage point from the prior year-end. The allowance for loan impairment losses to non-performing loans was up 0.89 percentage point to 182.86% from the previous year. The Board of Directors has proposed a dividend of RMB1.91 per ten ordinary shares for 2019, pending approval by the Annual General Meeting to be held in June 2020. On the other hand, as COVID-19 continues to spread worldwide, the world economy confronts more severe downward risk with significantly increasing destabilising factors and uncertainties, and the banking industry faces a more severe and volatile operation environment and situation. We shall be clear about potential dangers, and be well prepared to respond to changes in the external environment for a long time.

In 2019, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we earnestly implemented the decisions and plans of the CPC Central Committee and the State Council and stayed true to our founding mission. We kept a close eye on emerging conditions at home and abroad, provided strong support for the real economy, worked hard to prevent and mitigate risks, forged ahead in reform and innovation and stepped up our efforts to build a world-class bank in the new era by stimulating vitality, making agile response and achieving breakthroughs in key areas. Our strategy implementation efforts were fruitful, and our performance was outstanding on many fronts.

We improved the quality and efficiency in serving the real economy. Our domestic operations achieved rapid growth in RMB loans, strengthened investment in local government bonds and increased the proportion of loans granted in key regions. Manufacturing loans as a percentage of total loans remained at a relatively high level among large Chinese banks, with solid growth achieved in medium- and long-term manufacturing loans and high-tech manufacturing loans. Inclusive finance loans grew rapidly, with the overall financing cost of loans steadily decreasing. The Bank provided strong support for foreign trade and economic cooperation, remaining its leading position among Chinese peers in terms of domestic international settlement and of number of foreign currencies traded. The Bank sharpened its edge in the factor markets. The total value of market-based debt-for-equity swaps contracts hit a record high. The Bank resolutely implemented the plan for fighting the battle against poverty, helped to lift the four impoverished counties in north Xianyang, Shaanxi out of poverty. As the sole strategic partner of the second China International Import Expo (CIIE), the Bank successfully attracted exhibitors and businesses to the event and organised Exhibitor-Businessman Supply-Demand Matchmaking Conference, demonstrating once more BOC's dedication and responsibility to the country.

We made great advances in risk control and management. We proactively assessed changes in the international situation, prepared contingency plans and maintained steady performance across our global operations. We worked hard to recover and dispose of non-performing assets, making major breakthroughs in a number of key disposal projects. With both special-mention and overdue loans on the decline, the Group maintained stable asset quality. Meanwhile, we continuously improved our compliance management mechanism and pushed forward the anti-money laundering (AML) work. We continued to improve our internal control management mechanism in accordance with regulatory requirements, and fortified the foundation for internal control and fraud prevention functions. We strengthened our consumer protection and received increasingly higher

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ratings from regulators. We reviewed the Group's risk appetite and relevant policies, with our main risk indicators remaining stable and under control.

We took solid steps towards deeper reform on all fronts.

The Group made all-out efforts and achieved breakthroughs in reform across various fields, basically accomplishing 25 major reform projects and 86 specific tasks. In active response to market competition, we accelerated the construction of a "Strong Headquarter" as an innovative, agile, service-oriented, open-minded and learning organisation. We continuously deepened reform of our human resource management and stimulated our employees' vitality across the Bank. We reformed the organisational structure of the personal banking business by embedding a "digital DNA" into the entire process of personal banking. As part of our effort to build an integrated global research system, we established BOC Research Institute in a bid to boost our "soft power". We kick-started the integration of our overseas operations and institutions, and gave a further boost to regional management and intensive development. We optimised our corporate credit management system by establishing the industry planning and research centre in order to make risk control more effective. We also reformed our data governance system in accordance with problem-oriented principles and targeted policies, in a bid to consolidate the foundations of our digital development.

The new era poses unprecedented situations and novel requirements. Looking ahead, we will persistently pursue development through reform, stimulate new vitality, foster new momentum and achieve new breakthroughs, thus to build an enhanced version of the Group's development strategy. We will seize the day and live it to the full, and make all-out efforts to improve our performance and further burnish our century-old golden brand.

- A development path bursting with vitality. We steadily improved the organisational structure and the working mechanisms at all levels, so as to improve the Group's corporate governance. We strengthened professional team building by discovering, fostering and promoting excellent

young professionals. We optimised the staff structure in an orderly manner, and improved the training system for the entire staff. We improved the performance assessment and incentives mechanism to enhance market orientation and value creation. Owing to our caring, "people first" corporate culture, the whole staff of the Bank demonstrated full vigour and agile action, promoting a new atmosphere and momentum across the Group.

- A wellspring of dynamic business opportunities. We strived to build the four strategic scenarios of cross-border, education, sports and silver economy, with the project team integrating R&D, producing, testing and application activities in an efficient and agile manner, created new drivers for customer base expansion and business models. The number of monthly active users and transaction volume of our mobile banking business grew rapidly, with its overseas coverage expanded and customer experience significantly improved. We accelerated the digitalisation of our outlets, with its online-offline integrated service system taking shape. We further improved our comprehensive operation landscape by establishing BOC Finance Technology Co., Ltd. and BOC Wealth Management Co., Ltd. and obtaining approval for the establishment of BOC Financial Leasing Co., Ltd., and thus became a leader among our peers by coverage of comprehensive financial services, and realised rapid growth of the comprehensive operation segment. In addition, we attached great importance to enabling advancement through technology and digital transformation, continuously increased IT investment, completed the demonstration of the enterprise-level structure and new IT blueprint, and launched a new round of IT system building.
- An obvious improvement of implementation regarding market breakthroughs and China's regional coordinated development strategy. We effectively strengthened the Shanghai RMB Trading Unit and became the first bank to launch the Comprehensive Financial Service Plan for

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Yangtze River Delta Integration. We actively served the coordinated development of the Beijing-Tianjin-Hebei region and the construction of the Xiongan New Area, and made advances in cross-border projects including the Xiongan-Hong Kong Fund and the Xiongan-Macao Fund. We fully supported the drive to build Shenzhen into a pilot demonstration area of socialism with Chinese characteristics, promoted the development of our Macao business as “One Body with Two Wings”, and maintained a leading market share in the Guangdong-Hong Kong-Macao Greater Bay Area. We continued to pursue financial service innovation under the Belt and Road Initiative, followed up on over 600 major projects along the Belt and Road and granted approximately USD160.0 billion of credit facilities. We have set up branches and subsidiaries in 61 countries and regions outside the Chinese mainland, and remained as the global leader in cross-border RMB clearing and settlement. As a result, our global development showed an increasingly prominent spillover effect.

In 2019, we set up the Corporate Culture and Consumer Protection Committee under the Board of Directors to be responsible for the corporate culture fostering, consumer protection, ESG (Environmental, Social and Governance) related affairs etc. This effort will greatly facilitate our fulfilment of social responsibilities, drive forward brand building, sharpen comprehensive competitive edge and boost strategy implementation to a new level.

In 2019, Mr. CHEN Siqing resigned from his position as Chairman of the Bank due to a job transfer. During his term of office as Chairman of the Bank, Mr. CHEN Siqing led the Bank to enable advancement through technology, drive development through innovation, deliver performance through transformation and enhance strength through reform in order to build BOC into a world-class bank in the new era. On behalf of the Board of Directors, I would like to extend our heartfelt gratitude for the outstanding contributions made by Mr. CHEN Siqing. In addition, I would like to express a warm welcome to our new director and President Mr. WANG Jiang, and directors Mr. ZHANG

Jiangang and Mr. Martin Cheung Kong LIAO, and extend our sincere gratitude to our former directors Mr. WU Fulin, Mr. LI Jucai, Mr. LIAO Qiang, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan for their contributions to the Bank.

At present, the global economy is slowing down sharply as sources of risk and turmoil proliferate worldwide, and the economic and social development in China faces great difficulties and uncertainties not seen for many years. The banking industry is also facing a more severe and complicated environment, with challenges and opportunities coexisting. Just as jade needs to be polished, one needs to go through trials and tribulations to be strong. In 2020, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will adhere to the general principle of pursuing progress while ensuring stability and unswervingly apply the new development philosophy. We will make solid progress towards the supply-side structural reform in the financial sector, push the focus of services downwards. We will also closely track and analyse the extremely severe and complicated situation at home and abroad, and be clear about and alert to potential dangers. With 2020 designated as the “Year of Enhanced Implementation”, we will work hard on “fortification, improvement, digestion and penetration” throughout the year. We will also stimulate vitality by continuously deepening reform, make agile response by constantly improving mechanisms, achieve breakthroughs in key areas by cementing unique strengths, and thus forge ahead towards a world-class bank in the new era. We will deliver greater contributions to the building of a moderately prosperous society in all respects, and to the fulfilment of China’s 13th Five-year Plan.



LIU Liange

Chairman

27 March 2020