

Message from the President



Message from the President

2019 marked a critical year for Bank of China to advance its development strategy. With the aim of building BOC into a world-class bank in the new era at a faster pace, the Group focused on stimulating vitality, making agile response and achieving breakthroughs in key areas, and thus made further headway in its work on all fronts, and achieved solid performance during the year.

At the end of 2019, the Group's total assets stood at RMB22.77 trillion, total liabilities amounted to RMB20.79 trillion and equity attributable to shareholders of the Bank was RMB1.85 trillion according to International Financial Reporting Standards, representing an increase of 7.06%, 6.40% and 14.80% respectively from the prior year-end. The Group achieved a profit for the year of RMB201.9 billion, a year-on-year increase of 4.91%. The Group's capital adequacy ratio stood at 15.59%, up 0.62 percentage point from the prior year-end.

The Bank's improved performance in 2019 was mainly driven by the following factors: **First**, our operating income registered a steady increase. The Group's operating income reached RMB550.010 billion, up 9.17% year on year, of which non-interest income rose by 21.97% year on year, with its weight up 3.36 percentage points. **Second**, the Group achieved accelerated growth in key

strategic areas. The operating income of personal banking business increased by 7.61% compared with the prior year, while comprehensive operations, financial markets and other strong business lines maintained sound growth momentum. **Third**, our asset quality maintained stable. The Group's ratio of non-performing loans to total loans dropped 0.05 percentage point from the prior year-end, and a scissors difference between overdue loans and non-performing loans was negative RMB15.6 billion. **Fourth**, our input-output efficiency further improved. The Group's cost-to-income ratio was 28.00%, down 0.09 percentage point from the prior year.

The Bank improved its asset and liability structure and continued to enhance the quality of its development. The Group's balance of loans and bond investment as a percentage of total assets rose by 1.8 percentage points and 0.2 percentage point to 57.4% and 23.4% respectively year on year. The newly granted domestic RMB loans of the Group stood at RMB1,050.2 billion, up 11.7% from the prior year-end. The Group's new bond investments reached RMB405.6 billion, up 8.2%. Inclusive finance loans rose by 38% from the prior year-end, and the average rate of inclusive finance loans granted to small and micro businesses in the year decreased remarkably from the prior year. The Bank actively supported the development of private

Message from the President

enterprises by granting RMB1.96 trillion loans to private enterprises, which accounted for 36.78% of corporate loans newly granted and increased by 2.16 percentage points over the prior year. The Group's RMB and foreign-currency customer deposits increased by RMB934.0 billion, up 6.3% from the prior year-end, with breakthroughs made in the marketing promotions targeting key customers and key industries.

The Bank improved the supply of its financial services to further boost sustainability of its development. Mobile banking continued to grow rapidly, with the number of monthly active users and transaction volumes up 49% and 41% respectively over the prior year-end. The Bank's credit card, fund distribution and insurance agency services became more competitive. The Group's effective personal banking customers exceeded 300 million. The Bank vigorously innovated financial services for free trade zones, with its domestic branches completing over USD2.1 trillion of international settlements transactions. The Bank maintained a leading edge over its Chinese peers in foreign currency exchange against RMB business, RMB derivatives trading, offshore bonds and panda bonds, with the number of quotable foreign currencies offered by the Bank rising to 110. The

number of overseas counterparties and transaction volumes in the interbank bond market grew by 50% and 125% respectively from the previous year.

The Bank improved comprehensive risk management in order to forestall financial risks.

The Bank made steady progress in the recovery of non-performing assets and achieved breakthroughs in the disposal of key non-performing assets. Domestic branches disposed of RMB153.1 billion of non-performing assets. Credit risk indicators saw continued improvement, and asset quality remained stable. The allowance for loan impairment losses to non-performing loans rose by 0.89 percentage point further enhancing risk resilience. The Bank further improved its global compliance management system by revising the guidelines for anti-money laundering training, sanction compliance, internal control, fraud prevention, high-value and suspicious transactions and other management measures. It kept close track of the market impact of international trade frictions, conducted special stress tests, improved the contingency planning and enhanced the resilience. It also improved the Group's market risk management framework, strengthened risk control of derivatives, optimised its mechanism for counterparty credit risk management and reinforced the risk management of securities investment.

Message from the President

In 2020, under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will unswervingly uphold its new development philosophy, remain customer-centric and further implement the development strategy throughout the year, which is positioned as the “Year of Enhanced Implementation”. **First**, the Bank will strengthen alignment with national strategies to vigorously support the supply-side structural reform, integrate itself into the new ground of China’s opening-up, seize the opportunities arising from regional coordinated development and achieve its own high-quality development while serving high-quality economic development. **Second**, the Bank will pursue business transformation with vitality, work hard on product innovation, experience enhancement and cross-selling, expand its customer base and boost the capability of its customer marketing services. **Third**, the Bank will vigorously implement supporting mechanisms, improve the performance assessment, budget breakdown, resource allocation and other management mechanisms, further reinforce its result-orientated approach and strategic focus, and boost strategy penetration. **Fourth**, the Bank will fight critical battles in key areas and endeavour to make breakthroughs in scenario development, technological reform,

data governance, smart operations and outlet transformation. **Fifth**, the Bank will strictly manage risk control, further reform the corporate credit system, continue to strengthen the recovery and disposal of non-performing assets, further improve its comprehensive risk management system, and constantly improve its risk management capabilities.

At the end of 2019, I was appointed the President of Bank of China. As I face the new mission ahead, I feel the weight of responsibilities keenly on my shoulders. In the future, I will work with the Bank’s management to earnestly implement the decisions and plans of the CPC Central Committee and the State Council, diligently act on the decisions of the Board of Directors, and accept supervision from the Board of Supervisors. Relying upon our staff, I will remain devoted, honest and persistent in my work, dedicate myself wholeheartedly to the development of the Bank and deliver on the expectations of our investors and the general public.



WANG Jiang

President

27 March 2020