

Chairman's Statement



TIAN Guoli

Chairman

In 2015, the global economies once again fell into a deep correction and struggled to recover, giving rise to a number of risks and challenges. Against a backdrop of shrinking international trade, extreme movements in commodity prices and frequent swings in financial markets, economies across the world continued to be mired in the longest and weakest recovery cycle since the Great Depression of the last century. Some improvement was seen in the developed countries, although the strength of their recovery was relatively weak. China encountered over-capacity issues while emerging economies felt the pinch of subdued internal demand, capital outflows and falling domestic currencies during a period of accelerated economic transition and structural reform. Amid this complexity in the external environment, Hong Kong as an open economy recorded poor foreign trade results. Coincidentally, it also experienced a decline in the number of inbound tourists and saw signs of a cooling down in the property market. Thanks to a steady labour market, private consumption remained resilient and continued to support moderate economic expansion. In the year,

liquidity in the Mainland of China eased significantly as market interest rate levels came down. At the same time, competition in the local banking sector further intensified but investor sentiment swung wildly. All these factors combined to create headwinds for banks in Hong Kong. Despite these challenges, the Group was able to develop its businesses and achieve favourable growth in terms of loans, deposits and scale of assets, which drove solid revenue growth. The Group was also proactive in terms of managing its assets and liabilities, enhancing risk management and strengthening its compliance and internal controls. The Group's capital ratios, liquidity and asset quality were all maintained at healthy levels, striking a good balance between risk and return with satisfactory overall performance.

I am therefore pleased to report that the Group delivered another year of record results in 2015, thanks to growth in its core profitability. During the year, the Group achieved a profit attributable to the equity holders of HK\$26,796 million, a year-on-year increase of 9.0%. Earnings per share were HK\$2.5344. The Board



has recommended a final dividend of HK\$0.679 per share. Together with the interim dividend of HK\$0.545 per share, the full year dividend will be HK\$1.224 per share, a growth of 9.3% year-on-year. The Company's total dividend payout as a percentage of profit attributable to the equity holders will be 48.3%.

Closely following our strategic goal of Serving Society, Delivering Excellence, the Group in 2015 carefully implemented its plans of riding on market trends and fully leveraging its own competitive advantages. We aimed to provide a wide variety of high quality financial products and services that suit customer needs in the Mainland of China, Hong Kong, ASEAN and around the world. During the review period, BOCHK exploited business opportunities from corporate customers eyeing globalisation, in particular, a number of large-sized Mainland enterprises. We satisfied their diverse financing needs arising from Belt and Road related infrastructure projects and stepped up our efforts in both cross-regional and cross-business platform cooperation as well as product innovation in close collaboration with our parent bank, BOC. During the year, BOCHK was named the Strongest Bank in Asia Pacific and Hong Kong by *The Asian Banker* and the Bank of the Year in Hong Kong 2015 by *The Banker* magazine. At the same time, we remained the leader in the underwriting of new mortgage loans in Hong Kong, held the top ranking as an arranger in the Hong Kong-Macau syndicated loan market for the eleventh consecutive year and received the Best SME's Partner Award for the eighth consecutive year. We also maintained our strong

competitive edge and performance in areas such as securities brokerage, cash management, trust and custody services, private banking, and insurance.

As the sole clearing bank in Hong Kong's offshore RMB market, BOCHK has been making further improvements in its clearing facilities and capabilities. The Hong Kong Real-time Gross Settlement system for RMB now operates 20.5 hours a day to provide highly efficient, convenient and instantaneous clearing services to RMB participating banks across European, American and Asian time zones. Our efforts facilitated the robust development of the offshore RMB market. As a major RMB participating bank in the local market, BOCHK provided cross-border RMB loans and cross-border RMB cash pooling services to customers in the new pilot Free Trade Zones of Guangdong, Tianjin and Fujian. In recent years, the global ranking of RMB in terms of transactions, payments and trade finance has been gradually rising. In December 2015, the International Monetary Fund announced it will include the RMB in its Special Drawing Rights (SDR) basket of currencies, reflecting the widespread and growing recognition of the RMB. This marked a key milestone in the internationalisation of the RMB, which provides even brighter prospects for the offshore RMB market following the gradual launch and implementation of new policies such as Shenzhen-Hong Kong Stock Connect and the Qualified Domestic Individual Investors scheme (QDII2). In the future, the Group will continue to put customers first and strive to become the premier bank in offshore RMB services.

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The year 2015 marked a new chapter in BOCHK's history, as the boards of Bank of China Limited and BOC Hong Kong (Holdings) Limited jointly made two significant decisions in May. These decisions concerned the proposed disposal of Nanyang Commercial Bank, Limited ("NCB") and the proposed transfer of certain ASEAN banking assets of BOC to BOCHK Group, after the conclusion of a feasibility study on their business and asset portfolio. Both decisions are congruent with the BOC Group's development strategy and resource deployment in Hong Kong as well as its long-term development strategy in the ASEAN region. It also signifies the start of the transition of BOCHK from a local bank into a regional bank, which will enable it to capture opportunities arising from national initiatives such as The Belt and Road, Going Global Strategy and RMB Internationalisation, as well as enabling the Group to redeploy resources more effectively into high-growth markets in ASEAN. This is an important move to ensure the Group's long-term sustainable growth.

On 6 March 2015, Mr YUE Yi succeeded Mr HE Guangbei in his role as the Vice-chairman, Executive Director and Chief Executive of the Company. With his extensive banking experience and global perspective, Mr YUE will lead the Group's business development to a new level. In the reporting period, the composition of the Board changed, with Mr ZHU Shumin and Mr LI Zaohang resigning as Non-executive Directors. On behalf of the Board, I would like to take this opportunity to express my sincere appreciation for their valuable contributions to the Group during their tenure of service. At the same time, I would like to warmly welcome Mr REN Deqi and Mr XU Luode, who

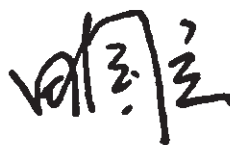
have been appointed as Non-executive Directors. With their strong management experience in the banking industry, Mr REN and Mr XU will bring new thinking to the Group. I would also like to extend a warm welcome to Mr LI Jiuzhong, Chief Risk Officer, who was appointed as an Executive Director. Mr LI will bring his years of management experience with BOCHK to contribute to the development of the Group. In addition, Mr GAO Yingxin was re-designated from Executive Director to a Non-executive Director due to his redeployment within the BOC Group.

Among the changes that took place in the senior management team in 2015, Mr YEUNG Jason Chi Wai retired as the Deputy Chief Executive (Personal Banking) and was succeeded by Mrs KUNG YEUNG Ann Yun Chi. Madam ZHU Yanlai retired as the Deputy Chief Executive (Strategic Planning and Management) and was re-designated as a consultant. Mr LIN Jingzhen was appointed as Deputy Chief Executive (Corporate Banking), and Mr HUANG Hong resigned as Deputy Chief Executive (Financial Markets) due to another work engagement within the BOC Group; Mr YUAN Shu was appointed as his successor. Mr ZHONG Xiangqun was appointed the Chief Operating Officer. On behalf of the Board, I would like to express my deepest appreciation to those former members of the senior management team for their contributions to the Group during their tenure of service, while at the same time welcoming new members in their respective roles. I strongly believe that the outstanding capabilities and experience of Mr LIN Jingzhen, Mr YUAN Shu and Mr ZHONG Xiangqun will be instrumental in moving the Group's business development forward.

Entering 2016, anxiety in global financial markets created turbulence in the major stock indices and currency markets. Hong Kong's CNH currency rate also experienced abrupt fluctuations, which at one point resulted in a spike in the offshore RMB interest rate with tightened liquidity in the market. With the US commencing its interest rate hike cycle last year, these could introduce uncertainty into economic development and capital flows around the world. Nonetheless, the nation's Belt and Road initiative will fuel growth momentum along the relevant regions. The RMB remains fundamentally solid and will maintain its stability at a reasonable and balanced level, which means that its internationalisation pace will not moderate. Against this backdrop, we foresee more opportunities arising from the deepening development of offshore RMB business, acceleration of the Going Global Strategy, and further progress in the advancement of regional finance. Riding on the national and regional development trends, BOCHK has devised its strategy and plans for the ASEAN markets. This, coupled with deepened collaboration with the local institutions of our parent bank, BOC, in Guangdong and the Hong Kong and Macau regions, the Group stands to enjoy significant growth potential in the future.

2015 was a year of considerable progress for BOCHK, which made remarkable achievements in its banking business and corporate strategy. These achievements would not have been possible without the wisdom of the Board, the diligence of our staff, the integrity and loyalty of our customers and the long-standing support of our shareholders, to whom I would like to express my heartfelt gratitude. BOCHK will continue to

be enthusiastic in the pursuit of continued business growth in 2016. We aim not just to maintain solid growth in our business but also to take our internal management standard to a new level. In the face of the increasing capital requirements of the Basel III Accord and a complex operating environment characterised by macro-uncertainty, BOCHK is well prepared to meet challenges as a result of our advanced planning and optimisation of capital management as well as internal controls, which will ensure strong support for its solid development in the future. With the full commitment of all staff and its members, the Group will continue to pursue excellence, achieve even greater results and strive to create higher value for our shareholders.



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Hong Kong, 30 March 2016