



# Regional Development



# Message from the Chairman



2017 was an extraordinary year. The 19th National Congress of the Communist Party of China was successfully convened and attracted wide attention around the world. The Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era was affirmed, calling on the country and its people to advance along the triumphant path. The year also marked the 20th anniversary of Hong Kong's return to the motherland. During this time, Hong Kong continued its stable social and economic development. Seizing the opportune moment of the 100th anniversary of BOC's service to the city, BOCHK strictly implemented the Group's strategy as well as the decisions and plans set out by the Board. We actively supported Hong Kong economically and socially and expedited our transformation into an internationalised regional bank. We continuously increased our operating earnings while at the same time making new contributions to the long-term prosperity and stability of Hong Kong.

I am pleased to report that profit attributable to equity holders of the Company from our continuing operations hit a new high, increasing by 15.9% year-on-year to HK\$28,481 million. We achieved steady growth in total assets, further improved on our financial performance indicators, and maintained a stable risk profile. The Board has recommended a final dividend of HK\$0.758 per share. Together with the interim dividend and the special dividend, the full-year total dividend will be HK\$1.398 per share. Excluding the special dividend, the Company's total dividend payout as a percentage of profit attributable to equity holders will be 48.4%.

Capturing the opportunities arising from national strategic initiatives, we have accelerated our regional business development and completed the disposal of our equity stake in Chiyu Bank, as well as a series of acquisitions including



subsidiaries and branches in Thailand, Indonesia, Cambodia, the Philippines and Vietnam. At this point, BOCHK has already expanded its business footprint in Southeast Asia to seven countries, making substantial progress in its regional expansion strategy. We sought to deepen consolidation with those institutions with regard to business, management and corporate culture as the integration advanced. We capitalised on the important national initiatives of the Belt and Road, the “Going Global” strategy of mainland enterprises and RMB internationalisation, through which we realised collaborative synergies and promoted the growth of the lending and deposit-taking businesses of our Southeast Asia institutions. We made steady progress in the building of a regional risk management system to strengthen our risk management, compliance and internal controls. The asset quality of our Southeast Asia institutions stood at a stronger level compared with their respective domestic market averages. In order to promote the development of our corporate culture, we vigorously enhanced talent exchange and training programmes, which supported our growth by providing a stream of high-calibre employees and fostering healthy staff spirit.

Riding on the development of the Guangdong-Hong Kong-Macao Greater Bay Area, we seized the initiative to drive forward integral collaboration. To this end, BOC Group has established a committee and authorised BOCHK to spearhead its work. It will strengthen regional collaboration

by harnessing the power and resources of the institutions and diverse range of business operating entities under BOC Group in the region. Its objective is to cement BOC Group’s leading advantages and enhance the contributions of its institutions in Guangdong Province, Hong Kong and Macao.

Our leading position was further expanded by our proactive efforts to promote RMB internationalisation. BOCHK fully leveraged its status as the sole RMB clearing bank in Hong Kong and continuously enhanced its clearing facilities. We accomplished several revamps and upgrades of our RMB payment and settlement system. This allows us to provide liquidity support to overseas institutions that participate in RMB business in a more convenient fashion. We provided exclusive cross-border settlement services for the funds under Bond Connect following our appointment as the sole designated bank for Central Moneymarkets Unit (CMU) under the programme. We also successfully completed the issuance of RMB9 billion of Panda Bonds, the largest issuance in a single tranche thus far in that market.

We remained deeply committed to the local market and stepped up Fintech innovation, solidifying and enhancing our market position further. Our customer deposits and loans grew by 16.5% and 15.8% respectively from the end of the previous year. The total amount of new mortgage loans underwritten by us reached its highest level in recent years, while our leading position in the reverse mortgage

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market remained solid. We witnessed continuous customer growth in the mid- and high-end personal banking, cross-border and SME segments. I am pleased to note that BOCHK succeeded in keeping its top ranking as an arranger in the Hong Kong-Macao syndicated loan market for the 13th consecutive year, as we proactively captured business opportunities from the Belt and Road Initiative and mainland enterprises' "Going Global" strategy. Our IPO receiving bank business retained its market leadership in Hong Kong for the 7th consecutive year. We deepened our branch network transformation programme and earnestly drove Fintech innovation and the intelligent service development of our bank branches, resulting in marked enhancement in the overall productivity of our branch outlets, as well as rapid growth in the number of customers and transaction volumes through our electronic service channels. In order to provide increasingly comprehensive financial services and effectively expand our sources of income, we continued to promote the development of our key business platforms including credit card, private banking, life insurance, asset management, cash management, custody and trust services as well as securities and futures.

To celebrate the 20th anniversary of Hong Kong's return to the motherland and the 100th anniversary of BOC's service to the city, BOCHK successfully held a series of centenary celebration activities. Through these, we evoked our memories of the past while embracing a positive future,

focusing on local development while promoting patriotism for the country and Hong Kong. We successfully issued Bank of China (Hong Kong) Centenary Commemorative Banknotes, which received a warm market response. We took care to improve people's livelihood and boosted our charitable giving as an initiative to promote the prosperity and stability of Hong Kong.

The favourable performance of BOCHK was widely recognised by the industry. In 2017, we earned such important awards as Strongest Bank in Asia Pacific and Hong Kong from various well-known magazines, including *The Asian Banker*, *The Banker* and *Asian Banking and Finance*. We received the Best Fintech (Emerging Solutions/Payment Innovation) Gold Award in the 2017 Hong Kong ICT Awards and, for the 10th year in a row, the Best SME's Partner Award from the Hong Kong General Chamber of Small and Medium Business. We were also granted the Best SME's Partner Gold Award 2017.

In 2017, Mr TIAN Guoli resigned as Chairman of the Company due to change of job. During his tenure, Mr TIAN has endeavoured to perform his duties and responsibilities diligently and effectively. Under his leadership, the Company earnestly delivered progress in accordance with the decisions and plans of the Central Government in the fields of economics and finance. It strongly supported the implementation of the nation's important strategic



initiatives and effectively served the demands of the real economy. While persistently pursuing the strategic goal of “Serving Society, Delivering Excellence”, Mr TIAN proactively promoted the internationalisation and regional transformation strategy of BOCHK and thus wrote a brand new chapter of the Company’s development. On behalf of the Board, I would like to take this opportunity to express our heartfelt appreciation for the excellent contributions made by Mr TIAN. Our sincere thanks also go to Mr XU Luode, who has resigned as Non-executive Director of the Company due to change of job, for his contribution to BOCHK.

Due to reason of age, Mr YUE Yi ceased to be Vice Chairman, Executive Director and Chief Executive of the Company as of 1 January 2018, being succeeded by Mr GAO Yingxin. On behalf of the Board, I would like to express our deep gratitude and high praise for the outstanding contribution made by Mr YUE to the Company during his tenure, and offer a warm welcome to Mr GAO, who returns to BOCHK where he previously served for many years. We believe that with his broad international exposure and abundant practical experience, Mr GAO will definitely lead BOCHK to make new and even greater achievements.

Looking into 2018, we expect the global economic recovery to continue. The mainland economy will transit from a stage of rapid growth to a stage of high-quality development. Hong Kong’s economy, meanwhile, will maintain its positive growth momentum. The Southeast Asia region

will also sustain a steady growth trajectory. BOCHK will be guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, closely follow BOC Group’s strategic goal of “Build a World-class Bank in the New Era” and forge ahead to build a top-class, full-service and internationalised regional bank. Capitalising on the important national opportunities of the Belt and Road Initiative, RMB internationalisation and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, we will capture the promising business prospects brought about by the mutual connectivity of financial markets between the mainland and Hong Kong and give full play to Fintech trends in order to further enhance the competitiveness, scale and market position of our businesses. BOCHK will write a new chapter of its development for the new era, while making a greater contribution to the long-term prosperity and stability of Hong Kong and creating superior returns for our shareholders.

**CHEN Siqing**

Chairman

Hong Kong, 29 March 2018