Regional Development
In 2018, the global economy continued to recover despite increasingly divergent development trends across different regional economies. There arose various challenges to economic globalisation, multilateralism and global governance, implying larger downside risks for economic growth. The Chinese economy operated within a reasonable range and achieved positive progress amid overall stability. Despite a slight moderation, the Hong Kong economy achieved a commendable growth rate of 3% for the year. The economic fundamentals of the Southeast Asian region remained robust, notwithstanding pressure stemming from exchange rate and liquidity fluctuations. Hong Kong’s banking industry continued its solid and prudent development, while the fusion of finance and technology accelerated and competition remained intense.

In 2018, BOCHK embarked on the implementation of its transformation strategy subordinate to BOC Group’s new development strategy. Thanks to the wise leadership and well-formulated plans of its Board of Directors, BOCHK seized market opportunities, overcame difficulties and pursued innovation with a view to achieving its strategic goal of “building a top-class, full-service and internationalised regional bank”.

We endeavoured to deepen our commitment to the Hong Kong market while enhancing our capabilities to provide all-round financial services globally and to fully support the local economy. We stepped up efforts to strengthen our business development and customer relationships, and strived to become the main bank for our major customer groups. In order to cement our market share, we further sharpened the competitive edges of our products, sustaining market leadership in such business areas as syndicated loans, IPO receiving bank, cross-border cash pooling and residential mortgages. We fully consolidated our strengths in RMB business and leveraged our RMB franchise to promote RMB internationalisation. Through technological advances, we sped up the building of our smart channels and enhanced the efficiency of our online and offline omni-channels with a view to promoting channel upgrades and increasing branch network productivity. We supported the real economy by providing convenient banking services to local citizens through our branch network which is the most extensive in Hong Kong. Our branch outlets are fully dedicated to support corporate customers, providing a strong foundation for the development of our small-and-medium-sized corporate customer base.

The Guangdong-Hong Kong-Macao Greater Bay Area is a primary focus of our business development. We continued to enhance BOC Group’s advantages in integrated development through technological means, while supporting Greater Bay Area development through financial services. On 18 February 2019, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was promulgated, setting out the goal of building a first-class, globally recognised Bay Area. Hong Kong will play an irreplaceable role in the development of the Greater Bay Area and the formation of a new era of all-round opening-up for the nation, making positive contributions and unlocking further headroom.
for growth. Remaining focused on livelihood finance, we will pursue innovation-driven development and win-win cooperation while striving to facilitate convenience of living and financial innovation in the Greater Bay Area. These objectives will be achieved by leveraging the advantages of BOC Group’s globalisation and business integration. Our goal is to become the first-choice cross-border bank for Greater Bay Area residents by addressing customer difficulties and offering solutions in such areas as account opening, payment, credit extension and wealth management, specifically for northbound Hong Kong and Macao residents. During the year, BOCHK successfully hosted the Guangdong-Hong Kong-Macao Greater Bay Area Financial Summit Forum, and strengthened its capabilities in policy study and analysis to provide professional consultations for government organisations at various levels. We introduced new products and services such as BoC Dual Currency Card; BoC Pay mobile App, and BoC Bill integrated payment collection service. In order to gain first-mover advantage, we continuously launched signature financial products and services while fostering closer collaboration with our BOC Group sister institutions in the Greater Bay Area.

We made a solid contribution to the all-round opening-up strategy of the nation by proactively developing the Southeast Asian market based on a differentiated positioning strategy and a focus on enhancing regional management capabilities. Since the launch of its regional development strategy in 2015, BOCHK’s business coverage in Southeast Asia has expanded to eight countries, including Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia, Laos and Brunei. By now, BOCHK has fully assumed its role as BOC Group’s Southeast Asian headquarters, and constantly refined its management model for regional expansion. Our Southeast Asian institutions have been ascribed a well-defined and differentiated development positioning, helping us to enhance our financial service capabilities along the Belt and Road. Leveraging its advantages in business, funding, products, management and talent, BOCHK has increased support to its Southeast Asian institutions and expedited the enhancement of their operational and risk management capabilities. These efforts were instrumental in fostering the high-quality integrated development of our Southeast Asian businesses. Underpinned by steady growth in deposits and loans, a favourable risk profile and sustained leadership in RMB business, the positive synergistic effects of integration began to produce results in 2018, as the profitability of our Southeast Asian institutions continued to improve.

We enthusiastically sharpened our capabilities for driving technology-based development and digitalisation, thus helping to prepare Hong Kong for a “New Era of Smart Banking”. In order to actively respond to the emerging competitive paradigm of the internet age, we drew on our customer-centric philosophy and adopted an innovative mechanism that aligns with internet trends. Technologies including blockchain, big data, cloud computing and biometric authentication were applied to the construction of our intelligent platform, data platform and open platform. Making mobile a top priority, we further optimised the products and services on our mobile platform so as to hone new competitive edges and enhance our intelligent operating and fintech service capabilities. During the year, we completed a number of initiatives including launching a new version of our mobile banking service and completing the simultaneous roll-out of FPS services in response to the HKMA’s initiative. We also accelerated the building of smart counters and smart services so as to enhance our customer experience and push forward the digitalisation of the bank.

In support of the Group’s strategic development plan, we dedicated ourselves to cultivating our bank culture, achieving absolute compliance with all applicable laws and regulations, and strengthening our risk management in all aspects. BOC Group has amassed rich cultural traditions and heritage throughout its century-long history. At BOCHK, the Board attaches strong importance to the nurturing of our culture, both as a vital component of our development strategy and as a strong foundation for achieving our strategic goals. Backed by the firm determination of senior management, we have adopted a top-down approach to developing and cascading a set of values and codes of conduct that align with our strategy and regulatory expectations. During the year, adhering to our people-oriented principle, we refined human resources
management to ensure that we have available the talent needed to deliver on our strategy. In a bid to prevent and mitigate financial risks, we have further enhanced the standards of our risk management, compliance and internal controls, while also upgrading our regional risk management system so as to support our goal of becoming a full-service and internationalised regional bank.

We upheld the principle of caring for our community, focused on giving back to society and increased our support of charitable activities. Primarily focused on aiding the impoverished and minorities as well as assisting youth development, we sought to directly benefit grassroots communities and minority groups. In 2018, our donations helped more than 20 charitable projects. In terms of green finance, we proactively assisted Hong Kong in building an international green finance centre by facilitating the issuance of a number of corporate green bonds in USD, EUR and RMB, accounting for nearly 30% of the total amount of green bond issuance in the local market.

We held increasing shareholder value and fulfilling our social responsibilities to be our main corporate duty, while striving to maintain a robust and standardised mechanism for corporate governance. To protect the interests of our shareholders, customers and employees, BOCHK’s top-tier corporate governance kept up with international and domestic best practices. In 2018, our Board further optimised the setup of its committees and maintained the diversity and independence of its board members, ensuring that its duties were fulfilled in compliance with relevant laws and regulations.

In 2018, Mr LIU Liange was appointed as Vice Chairman of the Company. Mr LIU previously served in the People’s Bank of China and Export-Import Bank of China for many years, and possesses strong experience in banking management. We believe his arrival will help bring the development of BOCHK to a new level. In August 2018, Mr LIN Jingzhen and Mr LIU Qiang were appointed as Non-executive Directors of the Company. Due to change of job, Mr REN Deqi and Mr LIU Qiang resigned as Non-executive Directors of the Company and Mr LI Jiuzhong resigned as Executive Director and Chief Risk Officer of the Company in June 2018, September 2018 and March 2019, respectively. In December 2018, Madam WANG Qi and Mr WANG Bing were appointed as Deputy Chief Executives of the Company. In March 2019, Mr LAW Yee Kwan Quinn was appointed as Independent Non-executive Director of the Company. On behalf of the Board, I would like to warmly welcome Mr LIU Liange, Mr LIN Jingzhen, Mr LAW Yee Kwan Quinn, Madam WANG Qi and Mr WANG Bing, and express our sincere gratitude to Mr REN Deqi, Mr LIU Qiang and Mr LI Jiuzhong for their contributions to BOCHK.

In 2018, BOCHK steadily increased its asset size, made sustained improvements in its financial performance, enhanced its operating efficiency and maintained a sound risk profile, all of which heralded new contributions to Hong Kong’s economic development and livelihood improvement. We were awarded “Strongest Bank in Asia Pacific and Hong Kong” by The Asian Banker for the fifth consecutive year, and “Best Bank for CSR in Hong Kong” by Asiamoney.

It is my great pleasure to announce that BOCHK’s profitability hit a record high once again in 2018. Profits attributable to equity holders reached HK$32,000 million, a growth of 12.0% compared with the profit of its continuing operations in the previous
year. The Board proposed the distribution of a final dividend of HK$0.923 per share for 2018. Together with the interim dividend, our full-year total dividend is HK$1.468 per share, representing an increase of HK$0.07 per share year-on-year, and translating into a dividend payout ratio of 48.5%. I would like to take this opportunity to extend my heartfelt gratitude to all the directors for their remarkable contribution, to the entire staff for their dedication, to customers for their loyalty and trust, and to shareholders for their long-standing support.

Deep rooted in the city for over a century, BOCHK has always been committed to serving Hong Kong. In the last forty years, BOCHK has dedicated itself to the reform and opening-up of its mother country, as well as to Hong Kong’s development. We have proactively fulfilled our role as a connector, functioning as a hub linking local corporates with investment opportunities in the Chinese mainland, and to act as a bridge for the development of their trade and economic activities. Our outlook can be summarised by the “four hopes” outlined by President Xi Jinping at the celebration of the 40th anniversary of national reform and opening-up, in which he highlighted to the Hong Kong and Macao delegations that their biggest advantage lies in “One Country, Two Systems”, their biggest stage is national reform and opening-up, while their newest and most important opportunities will arise from the Belt and Road Initiative and the development of the Greater Bay Area.

Our world will embrace a once-in-a-century, epochal change in 2019, bringing with it great challenges to the global economy. China stands at a critical stage of strategic opportunity, and will remain so for a considerable period of time. The Hong Kong banking industry will face greater operational pressure amid a challenging environment, but we will also see many opportunities. On the one hand, China will maintain its stable economic growth momentum and continue to produce policy dividends. On the other, Hong Kong will become more proactive and increasingly integrated in the nation’s development, which is certain to add further impetus to Hong Kong’s economy. The Southeast Asian economy will sustain strong economic vibrancy and offer promising prospects.

In the face of new and important strategic opportunities, BOCHK will firmly pursue its strategic goal of “building a top-class, full-service and internationalised regional bank”. To achieve this goal, BOCHK will persist in its commitment to the local market, actively participate in the construction of the Greater Bay Area and proactively capture opportunities arising from the Belt and Road Initiative. Through innovation and unswerving determination, we will strive to deliver outstanding results to celebrate the 70th anniversary of the founding of the People’s Republic of China, and to make a greater contribution to burnishing Hong Kong’s status as an international financial centre and enhancing its prosperity and stability in the long term.

CHEN Siqing
Chairman
Hong Kong, 29 March 2019