

# Message from the Chairman



2019 witnessed a notable downturn in the global economy amid unstable international trade frictions. As would be expected, monetary policies became more accommodative in response. However, we were also pleased to note that more countries and regions have acted to counter deglobalisation in an open and cooperative fashion. Regional integration gradually became a core growth driver for countries' economic and trade cooperation, gaining particularly strong traction in Asia, which captured an increasing share of global trade.

2019 also marked the 70<sup>th</sup> anniversary of the establishment of the People's Republic of China. Facing a complex environment and greater risks and challenges both at home and abroad, China maintained its path of "seeking progress while maintaining stability". In terms of national development, the economy was generally stable, with development quality enhanced in a steady manner and core targets comfortably achieved. These conditions helped to lay a solid foundation for building a moderately prosperous society in all respects. In Hong Kong, a gloomy world economic outlook and ongoing China-US trade friction

continued to depress external demand. Moreover, local social unrest drastically weakened the tourism and retail sectors, as well as investment demand, sending Hong Kong into a technical recession.

In spite of these external pressures, BOCHK pushed forward its strategic goal of "Building a Top-class, Full-service and Internationalised Regional Bank". Under the Board's wise leadership and meticulous planning, we worked diligently to forge new breakthroughs and developments both operationally and strategically. In 2019, BOCHK's annual profit hit a new high of HK\$34,074 million, representing a growth of 4.3% year-on-year. Return on average shareholders' equity and return on average total assets were 11.51% and 1.15% respectively. We remained well capitalised with a total capital adequacy ratio of 22.89%. The Board has proposed a final dividend of HK\$0.992 per share for 2019. Together with the interim dividend, our full-year total dividend would therefore be HK\$1.537 per share, representing an increase of HK 6.9 cents per share year-on-year, and a dividend payout ratio of 50.5%. I would like to take this opportunity to extend my heartfelt gratitude to our



directors for their remarkable contributions, our staff for their dedication, our customers for their loyalty and trust, and our shareholders for their long-standing support.

**We actively supported national strategic initiatives and cemented our regional competitive strengths.**

In response to serious blockages in multilateral trade mechanisms, China advanced its opening-up to the outside world, paving the way for win-win cooperation through the Belt and Road initiative. New growth potential was unleashed by the successive announcements of the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* and the *Outline of the Integrated Regional Development of the Yangtze River Delta*, which advocate innovation and structural adjustment. In particular, financial markets on the mainland became increasingly connected with their international counterparts owing to the further implementation of two-way opening-up policies. As part of its strategy to drive business growth in Southeast Asia, BOCHK proactively participated in the Belt and Road initiative, and acquired new experiences in managing regional business for BOC Group. We further refined our regional business layout and deepened our differentiated regional business management model. Our efforts yielded marked improvements in the service capabilities and operating revenues of our Southeast Asian entities. At the same time, we vigorously leveraged our RMB clearing bank status in Hong Kong, Malaysia and the Philippines to drive RMB internationalisation. Our RMB business leadership was further solidified, with 70% of all global offshore RMB clearing volumes in 2019 handled by BOCHK. We also sharpened our competitive advantages by committing full support to the development of the Greater Bay Area, where we continued to collaborate with our parent bank BOC to drive interconnectivity and to make consumption, payment,

property purchase and investment easier for outbound Hong Kong residents. In addition, we proactively tapped into cross-border demand by providing a diverse range of financial services to the high-tech manufacturing sector and strategic emerging industries in the Guangdong-Hong Kong-Macao region, the Beijing-Tianjin-Hebei region, the Yangtze River Delta and free trade zones on the mainland.

**We remained deeply devoted to the local market and continued to offer our full support to Hong Kong's prosperity and stability,**

which we have always taken to be our long-term responsibility after more than a century of growth and service to Hong Kong. Having started a new chapter in our history, BOCHK continued to pursue a customer-centric strategy while stepping up transformation and service innovation, further cementing our leading position in Hong Kong. In our personal banking business, we retained our market leadership in mortgage loans and saw continuous growth in the number of mid and high-end customers, as well as a rising proportion of cross-border customers. In our corporate banking business, we sustained our top ranking in the Hong Kong and Macao syndicated loan business, as well as in IPO receiving bank and cash pooling businesses for the local market. We also proactively provided financial support to Hong Kong's infrastructure construction, and helped to maintain its status as an international financial centre. In our financial markets business, we further enhanced our edge in featured businesses, strengthened the market position of our banknotes business and exploited opportunities in cross-border business. In response to the economic downturn that took hold in the second half of 2019 and the novel coronavirus outbreak that began early this year, BOCHK took the initiative to launch a variety of financial service and relief measures to help individual and corporate customers navigate difficult times.

## Message from the Chairman

**We stepped up digital transformation to facilitate fintech development in Hong Kong.** Against the backdrop of a subdued global economic recovery, we saw new breakthroughs in industry reforms and revolutionary technologies. Thriving high-tech industries such as 5G mobile technologies and artificial intelligence, will have the potential to introduce substantial growth drivers to the global economy. Riding on this trend, BOCHK adopted a proactive approach to technological changes and digitalisation. By promoting an innovative culture and business agility, we successfully improved our efficiency, services and quality using technological means. Meanwhile, we also strengthened our IT infrastructure and promoted the application of big data, artificial intelligence, blockchain and biometrics, further solidifying the foundations of our digital banking transformation. We actively built ecosystems partnerships with a focus on driving changes in our payment business, and embedding ourselves in the customer journey, in a bid to connect financial services to the real economy. We invested tremendous effort in enhancing digitalisation and automation in our operations, and making them more intelligent, as well as building an integrated and intelligent platform for our regional operations.

**We actively fulfilled our corporate social responsibility and established a governance framework for ESG development.** Deeply rooted in Hong Kong, BOCHK has always been committed to serving society while caring about its country. During the reporting period, we made positive contributions to Hong Kong's economy by following national strategies, and demonstrated our value by meeting our social responsibilities. As a result, BOCHK was widely recognised for its efforts, being named "Best Bank for CSR in Hong Kong" by *Asiamoney* for the second consecutive year in 2019. During the year, BOCHK enhanced its support

to Hong Kong's green finance development, promoted financial inclusion and increased donations to charitable organisations. We aimed to improve people's livelihood by investing in youth development, benefitting citizens in grassroots communities and supporting minorities in society. In cooperation with its charitable foundation, BOCHK sponsored a total of more than 40 charity projects in the period. At the same time, we also launched the "BOCHK Centenary Charity Programme", through which we donated the entire net proceeds of HK\$627 million obtained from sales of the "Bank of China (Hong Kong) Centenary Commemorative Banknote" to local charitable causes.

During the social unrest in Hong Kong in the second half of 2019, certain BOCHK's branches and self-service facilities were subjected to varying degrees of vandalism. Despite these difficulties, our staff united together and consistently delivered high-quality financial services to the public, demonstrating incredible professionalism and sacrifice. As we face the novel coronavirus outbreak in 2020, BOCHK has strived to ensure the safety and health of its staff, as well as maintaining uninterrupted services to the public. We have also donated HK\$15 million to aid the fight against epidemic.

Stringent and lawful compliance undergirds our continued existence and operations as a listed bank. BOCHK has always upheld a high standard of corporate governance and endeavours to maintain a sound corporate governance mechanism. In 2019, the Company closely followed the latest regulatory and market developments and continuously refined its governance structure. We fully leveraged the capacity and positive contributions of our independent directors, and refined the integrated monitoring and management of our subsidiaries, further improving our governance standards. Based on our close



tracking of developments in regulatory requirements and international best practices, we formulated the green and sustainable development strategy, took the lead in setting up a Sustainability Committee under the Board, and formed a clear ESG governance structure and objectives, with a view to promoting a customer-centric service culture and ensuring the steady and sustainable development of the Bank. At the same time, our Board composition was further strengthened with the appointments of Mr WANG Jiang as Vice Chairman of BOCHK, Mr SUN Yu as Non-executive Director of BOCHK and Mr LAW Yee Kwan Quinn as Independent Non-executive Director of BOCHK. Mr CHEN Siqing and Mr LI Jiuzhong resigned as directors due to a change of work. I would like to take this opportunity to extend our warm welcome to Mr WANG, Mr SUN and Mr LAW, and express our sincere gratitude to Mr CHEN and Mr LI for their contributions to BOCHK.

Looking ahead into 2020, the global economy remains mired in a process of deep consolidation following the 2008 global financial crisis. Long-term development conflicts remain unresolved and new problems continue to surface. Against this background, the world is facing stronger downward pressures on growth, more concentrated financial system risks and more divergent economic landscape across nations. While the unexpected outbreak of novel coronavirus in early 2020 will weigh upon economic growth, China's long-term positive growth trend remains unchanged. In front of the economic headwinds both externally and internally, Hong Kong government launched a series of relief measures to support enterprises, employment and general livelihood, while increasing expenditure on infrastructure building and technological innovation. These positive factors will serve to stabilise Hong Kong's economic trajectory. Meanwhile, new developments such as the central government's 16 measures

to benefit Hong Kong, deepening international cooperation through the Belt and Road initiative, the comprehensive advancement of ASEAN-Hong Kong economic and trade relationships, and the further opening-up of mainland's capital markets and financial industries, will provide new impetus and opportunities to Hong Kong and the banking sector.

In 2020, BOCHK will firmly pursue its strategic goal of "Building a Top-class, Full-service and Internationalised Regional Bank" and unswervingly follow its new development philosophy by boosting its vitality, becoming more agile and making key breakthroughs. We will increase our proactive involvement in the construction of the Greater Bay Area and the implementation of the Belt and Road initiative. We will strive to achieve greater success by remaining dynamic throughout the reform process, and advance towards the goal of becoming a world-class bank in the new era, so as to make greater contributions to the long-term stability and prosperity of Hong Kong.

**LIU Liange**

Chairman

Hong Kong, 27 March 2020