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### Views from an Asian bank on the role of the financial sector in fostering innovation and economic growth

Thank you very much, Secretary General. Thank you for your invitation and giving me this opportunity to address this distinguished audience.

Distinguished guests, ladies and gentlemen, dear friends, I am very pleased to come to the land of a thousand lakes. It is a great honour for me to address the very distinguished guests at this forum. Since China adopted reform and opening policies more than 40 years ago, China's annual real gross domestic product (GDP) growth rate has been 9.5% on average. More noticeably, however, despite the fact that the world is struggling with the legacy of the financial crisis, a weak recovery, unilateralism and protectionism after 2008, China has maintained medium and high growth.

Sustainable development has taken place in China. Such development is underscored by the transformation from quantity to quality. China has proposed new development concepts featuring innovation, coordination, green development, openness and sharing. This is China's solution to addressing our immediate challenges, to provide new development momentum and to strengthen the foundation for future growth. As the mainstay of the country's financial industry, the Chinese banking community has been fulfilling China's new concepts and has played an active role in fostering innovation and sustainable development.

Taking this opportunity, I would like to share some of my views on how banks in China are fulfilling their roles. First, Chinese banks are committed supporters of innovation and new industries. With an increasingly ageing population and a drop in saving ratios, the Chinese

economy can no longer rely on the supply of labour and capital so much as it did in previous decades. Innovation is becoming the number one driving force. Chinese banks have responded well to these new circumstances by steering in more resources to new, innovation-intensive sectors such as high-end manufacturing, renewable energy and internet-based technologies.

In the first half of this year, loans given to the technology and information industry by Chinese banks grew by more than 15% in total over the same period last year. For banks to be a true facilitator to technology companies, especially start-up companies, it is not just about granting loans. At Bank of China, we recognise that start-up technology companies have different financial needs during different stages of their lifecycle. We have combined loans with more sophisticated tools, such as equities and bonds. This new service approach has covered more than 4,700 technology companies and generated a loan book worth more than 56 billion Chinese yuan.

At Bank of China we are preparing ourselves for a digitalised future. In such a future, people will travel more frequently across country borders, officials will need to govern a more complex public system, the older generation will want to enjoy their post-retirement life better, and our transportation system will carry people around more quickly and comfortably. These are all strong scenarios and we, as bankers in China, need to design a fully-fledged financial ecosystem for each of them, promoting the digitalisation of relevant sectors.

Second, Chinese banks are committed explorers into a green economy. Green development has become a global consensus. The 2015 Paris Agreement marked a new chapter in pursuing a low carbon future. Chinese lawmakers rooted the building of an ecological civilisation into the constitution in 2018. The fight against environmental pollution is high on the government agenda. Chinese banks are playing their part. In 2018, nine Chinese banks joined a total of 27 institutions globally in endorsing China's green investment principles of Belt and Road. As of the end of 2018, green loans granted by the Chinese banking sector reached more than 10 trillion Chinese yuan in total. The total balance of green bonds issued was over 660 billion Chinese yuan.

To promote a green economy, Bank of China has developed its own green finance development plan. We have said we will step up our support to industries related to clean energy, environmentally friendly transportation and pollution containment. We have issued five tranches of bonds and sustainable development bonds amounting to US\$6.4 billion in total. We have also engaged our European partners in our shared green agenda. Last June, in our capacity as the Chinese chair of the China-France Business Council, we hosted major enterprises from the two countries for a roundtable discussion focusing on how to enhance the Chinese partnership and green development with French and European business communities.

Third, Chinese banks are committed sponsors of inclusive finance. While the Chinese economy is getting bigger, its benefits are not distributed fairly, and the income gap remains a major challenge. Chinese banks have, in recent years, devoted significant resources to the promotion of inclusive finance. All the major banks have each set up a dedicated department for enhancing the coverage and depth of their inclusive financial services. As of the end of June this year, the Chinese banking network covers over 96% of rural towns and villages in China.

Loans provided for small and micro businesses reached 35.6 trillion Chinese yuan in total, and the amount continues to grow rapidly.

Taking Bank of China as an example, we own the largest rural banking group in China, with a focus on supporting small and micro business at the country level, and making financial services available to rural areas, agriculture and farmers. In the first half of this year, Bank of China inclusive financing grew at the rate of 27%. Meanwhile, Bank of China is the first in China to have introduced small and medium-sized enterprise (SME) matchmaking services. We have hosted 55 crossborder matchmaking events over the past five years, covering 30,000 companies from nearly 90 counties. We helped those SMEs not only to find their business partners but also to find their place in the global industrial value and capital chain.

Fourth, Chinese banks are committed advocates of a further opening up of countries. The opening up of the Chinese financial industry sets the benchmark for how far China can go in opening up other key industries. Significant progress has been made over recent years with the introduction of several Stock Connect programmes, such as the one that links Shanghai and London as well as Shanghai and Hong Kong, with Chinese A shares being included in major indices such as the FTSE Russell Global Equity Index.

As market access restrictions are lifted or relaxed, an increasingly large number of foreign banks, security firms and insurance companies are accelerating their pace in China. As of April of this year, there were 982 foreign-owned banking institutions operating in China with combined assets of 3.5 trillion Chinese yuan – a size 10 times bigger than that in 2001 when China gained accession to the World Trade Organization (WTO).

Among the Chinese banking community, Bank of China is the bank that goes furthest in connecting China with the rest of the world. Our overseas network now covers 57 countries and regions. We have been appointed as the renminbi (RMB) clearing bank in 12 markets out of a total 26 mandates granted by the Chinese central bank. We clear RMB payments and RMB trade transactions on a scale that is bigger than any other bank in the world.

In addition, Bank of China is the chair of the China Chamber of Commerce to the EU, and chair of both the China-France Business Council and the China-Italy Business Forum. We are also the banking partner of China International Import Expo and the world's only bank that has been appointed as the official banking partner for both the Summer and Winter Olympic Games. In all these roles, Bank of China has built itself into a strong facilitator for Chinese companies to go abroad and for overseas enterprises to come to China to make investments and conduct business.

Fifth, Chinese banks are committed facilitators to coordinating development. Over the past few years, China has taken a series of initiatives to foster greater economic coordination, such as ones that promote the prosperity of Belt and Road, the integration of the Yangtze River Delta Economic Zone and the development of the Guangdong-Hong Kong-Macau Greater Bay Area. In these gritty moves, Chinese banks are getting involved and seizing opportunities internationally. Bank of China is committed to providing financial services to countries and regions along the Belt and Road. So far we have followed more than 600 projects around the Belt and Road routes and extended credit facilities exceeding US\$140 billion. Meanwhile, we are encouraging partners

in interested countries to join our complementary streams to explore third-party markets.

Domestically, to support the next wave of China's development, Bank of China is currently building regional headquarters in Shanghai to put the city's status firmly as a rising international financial centre. We will let the Shanghai headquarters become a hub of some of our core business, such as RMB fixed income, currencies and commodities (FICC), financial-market infrastructure, services and RMB crossborder clearing.

Sixth, banks in China are committed guards against risks in banking. To control risk effectively is a vital factor defining a country's financial competitiveness. While pursuing the new development approach, Chinese banks are getting themselves more in line with international standards for risk management, including the implementation of rules under Basel III and reaching rapidly requirements related to capital adequacy, liquidity levels, credit risk, market risk and operational risk. To ensure the industry's long-term health development, measures have been taken to fix previous loopholes in shadow banking, corporate governance, B2B lending and wealth management products.

During the course of fostering innovation and sustainable development, the Chinese banking sector is also growing bigger and stronger. By the end of 2018, China had developed a banking system that includes over 4,500 names. Total banking assets have reached 268 trillion Chinese yuan. Four Chinese banks were recognised as global systemically important banks (GSIBs). In terms of Tier I capital, 136 Chinese banks are among the world's 1,000 largest banks. Chinese banks have become an integral part of the global banking community and are playing their part in promoting the development of the global financial industry in the future and in further implementing China's new development approach. Bank of China will continue to work together with our European peers and friends, act as a bridge to promote China-Europe economic and financial exchanges, and make our contribution to sustainable development both in China and in Europe.

Thank you for your attention. I wish the forum the utmost success. Thank you very much. ■