

Message from the Chairman



2020 was an extraordinary year in which the COVID-19 pandemic severely impacted the global economy, international trade shrank significantly and financial markets were highly turbulent. The world's developed economies adopted monetary easing and government debt levels reached historical highs. There was a stark increase in instability and uncertainty amid an increasingly complex international environment. Owing to its determined efforts to ensure stability on the six fronts and security in the six areas, China became the only country to achieve positive GDP growth among the world's major economies. This brought its 13th Five-Year Plan implementation to a successful conclusion. Hong Kong slipped into recession for the second consecutive year and suffered soaring unemployment. Thanks to the strong external trade performance of Chinese Mainland, Hong Kong staged an early recovery in goods exports while maintaining steady performance in both its property and financial markets.

During the year, BOCHK weathered all the challenges it has faced amid a complicated operating environment. Under the thoughtful planning and wise leadership of the Board of Directors, BOCHK proactively aligned itself with national development initiatives and BOC Group's growth strategy, and enthusiastically supported the lawful administration of the HKSAR Government. Leveraging its distinctive competitive advantages, BOCHK actively served the real economy, earnestly implemented measures against the COVID-19 outbreak and strictly adhered to its robust risk principles, resulting in market outperformance in major businesses and solid performance in key operating indicators.

In 2020, BOCHK continued to gain market share, growing customer loans by 7.3% to HK\$1,497,864 million and customer deposits by 8.7% to HK\$2,183,709 million. Risk indicators were stable and sound, with the non-performing



loan ratio standing at 0.27% and the total capital ratio at 22.10%, sustaining our leading position among local peers. Our profit after tax for the year amounted to HK\$28,468 million. The Board has recommended a final dividend of HK\$0.795 per share. Together with the interim dividend, this takes our full-year dividend to HK\$1.242 per share, translating to a payout ratio of 49.6%. I would like to take this opportunity to extend my heartfelt gratitude to all board members for their excellent contributions, to our entire staff for their diligence, to our customers for their patronage, and to our shareholders for their long-standing trust and support.

Making agile response and taking a proactive and supportive role for Hong Kong's prosperity in the past year. In face of the unexpected COVID-19 outbreak, BOCHK actively fulfilled its responsibilities as a major bank and led by example as the Chairman Bank of both the Hong Kong Association of Banks and the Chinese Banking Association of Hong Kong. We fully backed the pandemic control and prevention measures implemented by the HKSAR Government and supported Hong Kong's economic recovery. We were the first bank to launch five major financial relief measures, and fully supported the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme of the HKSAR Government, and the Pre-approved Principal Payment Holiday Scheme under the HKMA, enabling us to navigate the difficult times alongside our customers. We also fully utilised our advantages in branch networks and financial technology to render strong support to the implementation of the HKSAR Government's Employment Support Scheme and Cash Payout Scheme, as well as its issuance of iBonds and Silver Bonds. We continued to pursue a customer-centric development strategy, deepened our local market commitment and

promoted comprehensive service capabilities. We recorded steady growth in the number of mid to high-end customers and maintained a leading position in a number of business areas including new residential mortgage loans, syndicated loan arrangement in Hong Kong and Macao, IPO receiving bank business and cash pooling, etc., further enhancing our competitive advantages.

Playing an active role in the nation's opening up policy and making solid progress in regional business development in the past year. Inter-connection will undoubtedly be an important pathway for the future development of the global economy. As such, further economic opening up will be key to achieving high-quality growth for the country. Capitalising on the national strategy of high-level opening up, BOCHK made earnest efforts in regional business development. In Southeast Asia, our business presence was further optimised. We continued to boost service capabilities and met the needs of key customers and important projects, achieving remarkable improvements in our market position and franchise. In the Greater Bay Area, we further strengthened collaboration with our parent bank, and continuously improved key products and services such as the "GBA Account Opening Service". We made full preparations for the implementation of a cross-border "Wealth Management Connect" service and explored a financing service model for innovative technology companies. Leveraging our well-established RMB franchise, we captured opportunities arising from the further opening up of Mainland financial markets, and advanced our cross-border RMB business by setting up RMB business channels that link the Greater Bay Area, free trade zones and free-trade ports with Hong Kong and Southeast Asia. In 2020, BOCHK recorded a total transaction value of RMB282 trillion for offshore clearing, accounting for 75% of the global total.

MESSAGE FROM THE CHAIRMAN

Driving technological innovation to accelerate digitalisation in the past year. Banking service models have undergone profound changes owing to the rapid emergence of financial technologies such as artificial intelligence, blockchain, big data and 5G communications, which has prompted banks to pursue high-quality development. Led by a technology-driven strategy, BOCHK continued to promote digitalisation in a customer-centric manner. We catered to customers' needs in various contexts such as utility services, transportation and travel, day-to-day consumption, charity and education, etc., while also fostering cross-sector convergence via our open platform. We accelerated service channel digitalisation by using our mobile banking and intelligent Global Transaction Banking ("iGTB") platforms as key tools. We also deployed cutting-edge technologies to increase the efficiency of our business operations and risk management. Livi Bank, our virtual banking joint venture with Jardine Matheson Group and JD Technology, officially commenced operations, offering a brand-new banking experience that meets customers' daily needs.

Cementing the foundations for solid development through comprehensive enhancement of risk management, compliance and control in the past year.

Risk management and compliance control is the lifeline of modern banking operations and the cornerstone of high-quality development. In face of a complex external environment in 2020, BOCHK strictly adhered to its bottom line in risk management and compliance. We stepped up the development of mechanisms and capacities related to risk pre-warning, risk prevention and control, and risk resolution, which enhanced the effectiveness of our overall risk management system. These efforts successfully achieved a dynamic and fine-calibrated balance between business growth and risk prevention, providing greater assurance and support to our high-quality business development.

Turning sustainability concepts into reality to support high-quality growth in the past year. The HKSAR Government has increasingly developed and promoted ESG-related policies and requirements in recent years, accelerating sustainable development. Led by the Sustainability Committee under the Board, BOCHK formulated and published its Sustainability Policy during the year. In support of the HKSAR Government and the HKMA's development initiatives in green finance, we provided green advisory services, underwrote green loans, launched green deposit products and facilitated ESG bond issuance as well as green funds. Fulfilling our responsibilities as a good corporate citizen, we attached high importance to the health and safety of our staff and customers and increased our charitable donations to the fight against the pandemic. Our efforts and achievements in ESG and preventing pandemic earned strong recognition from society. We were named "Best CSR Bank in Hong Kong" by *Asiamoney* for the third consecutive year, and were recognised as "Top Donor" and "Benefactor of the Year" by The Community Chest of Hong Kong. By closely following dynamic changes in market and regulatory environments, we optimised our governance structure and continuously enhanced our governance capabilities and standards, so as to protect the interests of our stakeholders and shareholders.

In May 2020, Mr GAO Yingxin resigned as Vice Chairman, Executive Director and Chief Executive of BOCHK, due to job change, and was succeeded by Mr SUN Yu in December. On behalf of the Board, I would like to express my sincere gratitude and utmost appreciation to Mr GAO for his valuable contributions during his tenure with BOCHK. I also warmly welcome Mr SUN to the Group. Given Mr SUN's extensive international exposure and abundant experience earned from a variety of local and overseas positions, I am certain that he will lead BOCHK to open a new chapter and push its development forward to new levels. Mr ZHUO Chengwen, Chief Risk Officer of the Group and acting Chief Executive during the interim period, ensured the smooth transition. On behalf of the Board, I express my heartfelt gratitude to Mr ZHUO.



In February 2021, Mr WANG Jiang resigned as Vice Chairman and Non-executive Director of BOCHK, due to job change. On behalf of the Board, I extend my deepest gratitude to Mr WANG for his contributions.

Looking to 2021, the global economy is now entering a critical stage in its recovery. The path to recovery remains unstable and uneven, as certain countries and territories have seen a resurgence in confirmed cases of COVID-19. The world's major economies are substantially increasing their fiscal deficit and debt levels, which will potentially create fluctuations in financial markets. As the post-pandemic era dawns, the world is set to enter into a period of volatility and reform. It is therefore essential for all countries to deepen collaboration in economic development and policy adjustment as well as global governance. All parties should pursue win-win solutions in searching for new drivers, developing innovative technologies and driving further opening up in business and trade affairs. Supported by the national economic policies of the dual circulation development pattern, the deepening construction of the Greater Bay Area and the advancement of the Belt and Road initiative, the Mainland economy will continue to enjoy positive long-term growth, which will provide ample room for Hong Kong's development. At the same time, a relatively fast recovery in the Southeast Asian economy, along with the closer regional trade cooperation heralded by the implementation of the RCEP, will also provide new opportunities for Hong Kong.

2021 marks the opening year of the 14th Five-Year Plan and the early stages of a new, reshaped development landscape. Standing at a historical juncture whereby the nation has achieved the first of the Two Centenary Goals, and in face of unprecedented shifts in the macro environment, we will embrace the challenges of a new environment, new changes and new requirements. BOCHK will adhere to a systematic concept, proactively align with BOC Group's strategic vision of building a first-class global banking group, undertake its mission of "bridging China and the world for the common good", and support the development of the real economy

through the nation's dual circulation economic strategy. We will strengthen our service capabilities in relation to the Greater Bay Area and RCEP, capitalising on the advantages arising from the two-way opening up of Mainland financial markets. We will pursue the national goal of net-zero emissions by 2060 and meet the expectations and requirements of the HKSAR Government and regulators by practising green development. We will invest tremendous efforts in driving digitalisation, nurturing talent and building our corporate culture while maintaining robust risk management principles and preventing and mitigating financial risks, with a view to building a strong foundation for the solid long-term development of the Group.

Capitalising on the emergence of new development drivers and momentum, BOCHK will embark on a new stage of evolution. We will thoroughly manifest the new development concept and support the building of a new development landscape. Strictly adhering to these principles, we will proactively achieve high-quality growth, create value for all stakeholders and contribute to the economic prosperity and stability of Hong Kong.

LIU Liange

Chairman

Hong Kong, 30 March 2021