

Message from the Chairman



2021 was a landmark year. China made solid efforts in routine pandemic prevention and control while pushing forward economic and social development. It made fresh progress towards building a new development pattern and achieved new results in high-quality development, getting the 14th Five-Year Plan off to a good start. Meanwhile, facing an evolving COVID-19 pandemic and unpredictable global changes, Hong Kong experienced economic recovery buoyed by strong trade performance and deepened its interconnection with the Chinese mainland, bringing its total GDP back to near pre-pandemic levels. However, persistently low interest rates continued to adversely affect the profitability of the local banking sector.

Under the thoughtful planning and wise leadership of the Board of Directors, BOCHK formulated a new five-year plan in close alignment with BOC Group's 14th Five-Year Plan and its "One Mainstay, Two Engines" strategy. Guided by the strategic goal to "Build a First-class Regional Banking

Group" and fulfilling the mission of "Bridge China and the World for the Common Good", BOCHK actively followed national strategies and provided full support for Hong Kong's economic and livelihood development by striving to promote sustainable and high-quality growth while continually creating value for all stakeholders.

In 2021, BOCHK continued to outperform the market in terms of its core businesses, achieving solid performance in its major operating indicators and stable ratings from external credit rating agencies. We increased our customer loans by 6.8% to HK\$1,599,084 million and our customer deposits by 6.8% to HK\$2,331,155 million, driving further gains in local market share. Adhering to stringent risk management principles, we maintained risk indicators at stable and sound levels. Our classified or impaired loan ratio was 0.27% and our total capital ratio was 21.44%, with both metrics continuing to compare favourably against



local peers. Our profit after tax for the year amounted to HK\$25.0 billion. The Board has recommended a final dividend of HK\$0.683 per share. Together with the interim dividend, this takes our full-year dividend to HK\$1.130 per share, which translates to a payout ratio of 52.0%, an increase of 2.4 percentage point compared with that of last year. I would like to take this opportunity to extend my heartfelt gratitude to all board members for their excellent guidance, to our entire staff for their diligence, and to our customers and shareholders for their long-standing trust and support.

In the past year, we continuously improved our financial service capabilities while deepening our local market development, further consolidating our traditional competitive advantages and creating new momentum. Committing to Hong Kong as our core market, we maintained our market-leading position in businesses such as new residential mortgage loans, main arrangement of syndicated loans in the Hong Kong and Macao regions, IPO receiving bank and cash pooling. We witnessed vibrant growth in new businesses such as wealth management, investment banking consulting and green finance, and significantly enhanced our integrated service capabilities in such areas as insurance and asset management. Leveraging our advantages in customer scale and service channels, we continued to actively cooperate with the HKSAR Government in support of its various financial relief and economic development programmes to underpin the recovery of the local economy. Faced with a new round of COVID-19 outbreaks since early this year, we further stepped up our financial service support, providing HK\$50 billion in credit resources as well as fee concessions, waivers and

rebates to assist SME customers. We also further extended the application period for loan moratoriums on mortgage services and provided a wide range of online financial services to relieve the financial pressures of individual customers.

In the past year, we continuously enhanced our advantages in cross-border finance while expanding our regional business, ushering in new business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (“the Greater Bay Area”), and achieving steady business development in Southeast Asia. Playing an important role in China’s ambition to build a world-class, globally-competitive urban cluster, the Greater Bay Area enjoys a unique position and distinct advantages within the national strategic layout. Meanwhile, ASEAN’s status as China’s largest trading partner signals a bright outlook for the development of a stronger bilateral economic and trade relationship. BOCHK proactively engaged in the nation’s new development pattern of “dual circulation”, striving to achieve new breakthroughs. We took the lead in launching Cross-border Wealth Management Connect services and providing Southbound trading under Bond Connect services in the local market, establishing a leading market share. We provided diversified services such as account opening, loans, payments and insurance to support an enjoyable lifestyle for customers in the Greater Bay Area. We also developed new financial service models for innovative technology enterprises by collaboratively combining the strengths of the commercial and investment banking arms of BOC Group. Our business layout in Southeast Asia continued to improve with the opening of the Yangon Branch in Myanmar and Hanoi Representative Office in Vietnam. Through deepened cross-border coordination, our abilities to serve multinational

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enterprises and local customers were further enhanced, and our collaboration with BOC branches in the Asia-Pacific region yielded good results. Leveraging our solid RMB franchise, we further developed our reputation as an RMB expert by innovating scenarios for RMB usage in businesses such as financing, settlement, commodity trading, and cash pooling, so as to stimulate customer demand and promote the development of RMB markets abroad.

In the past year, we continuously boosted our customer service efficiency through digitalisation, embedding a deep-rooted digital-oriented philosophy and delivering remarkable achievements in our fintech development.

Technological innovation not only serves as an important foundation for replacing old growth drivers with new ones, but also provides an essential path for the leapfrogging transformation of the century-old bank. BOCHK actively embraces new technologies and new concepts to support business development and further promote digitalisation. We accelerated the development of mobile and intelligent service channels, with number of mobile banking transactions rising by over 30% and BoC Pay customer numbers passing the one million mark, while our intelligent Global Transaction Banking (“iGTB”) platform completed the agile implementation of version upgrades. We deployed technology to promote inclusive finance by launching ERP Cloud Services and advancing intelligent credit approval for SME customers. We remained focused on developing scenario-based financial service ecosystems with a view to building an open bank and improving the intrinsic value and diversification of our services. We deepened the deployment of intelligent systems and promoted intelligent risk control to provide more secure and efficient banking operations. Our virtual banking joint-venture LIVI innovated products and services by fully leveraging the advantages of its three shareholders, which helped to raise its integrated strengths to a market-leading level and grow customer numbers to more than 200,000. In the year, BOCHK was named “Hong Kong’s Best Digital Bank 2021” by *Asiamoney*.

In the past year, we adhered to strict risk management and compliance principles amid a challenging environment, with continuously enhanced comprehensive risk management capabilities and solidified foundation for steady development.

In the face of complex and severe external challenges such as new pandemic outbreaks, and geopolitical manoeuvring, BOCHK adhered to “bottom-line thinking” in its risk management and compliance. We continued to refine our multi-layered and comprehensive risk monitoring, pre-warning and emergency management systems. We enhanced our capacity for the accurate identification and proactive prevention of the risks emerging from new situations, new business dynamics, and new business modes, and ensured a stable and controllable overall risk profile as well as steady, secure and sustainable banking operations.

In the past year, we fulfilled our responsibilities as a major bank while pursuing sustainable and high-quality development, with increased influence in society and substantial achievements in green finance.

Now that a universal consensus has been achieved around global climate governance, green and low-carbon operations will become an integral part of mainstream economic and social development in the post-pandemic era. Aligned itself with national and HKSAR Government carbon neutrality strategies, BOCHK formulated a five-year sustainable development plan and made proactive efforts to address changes in climate risks. As a market pioneer, we launched innovative green finance products including loans, deposits, bonds, mortgages and ESG funds, pursuing a green future with our customers. As part of our strategy to support charities and anti-pandemic initiatives, we launched more than 70 charity projects and more than 90 volunteer events throughout the year. Our efforts earned us the “9th Hong Kong Volunteer Award: Corporate Award” from the Agency for Volunteer Service. We issued the Commemorative Banknote of the Olympic Winter Games Beijing 2022 to mark this proud occasion, the net proceeds of which will be donated for local charitable purposes. We strengthened



corporate governance and information disclosure, officially becoming a signatory of the Task Force on Climate-related Financial Disclosures (TCFD). In 2021, BOCHK was upgraded to the highest “AAA” ESG rating by MSCI, fully reflecting the market’s recognition of our efforts.

In the past year, our Board continued to run smoothly and efficiently while constantly strengthening our high-quality corporate governance mechanism. In August 2021, Mr LIU Jin was appointed as Vice Chairman and Non-executive Director of BOCHK. In March 2022, Madam FUNG Yuen Mei Anita was appointed as Independent Non-executive Director of BOCHK. In February 2021, Mr ZHUO Chengwen ceased serving as Chief Risk Officer of BOCHK due to a change of job, and was succeeded by Madam JIANG Xin. In January 2022, Madam SUI Yang ceased serving as Chief Financial Officer of BOCHK due to a change of job, and was succeeded by Mr LIU Chenggang starting from March 2022. On behalf of the Board, I would like to extend my warm welcome to Mr LIU Jin, Madam FUNG Yuen Mei Anita, Madam JIANG Xin and Mr LIU Chenggang, and express my sincere gratitude to Mr ZHUO Chengwen and Madam SUI Yang for their outstanding contributions.

Looking to 2022, the external operating environment remains tough and complex, with challenges and opportunities continuing to coexist. The international landscape is changing even more quickly, the pandemic lingers without an end in sight, and the global economic recovery continues to be uneven. Nevertheless, green and digital economic development will accelerate and become significant drivers of a rebound in GDP growth. Shifts in the monetary policies of major developed economies will create room for improvement in banking sector earnings, albeit with spill-over risks. Despite the triple pressure of shrinking demand, disrupted supply and weakening expectations, the Chinese mainland will continue to display economic resilience, enormous potential, and positive trends in its long-term fundamental outlook. Driven by favourable factors such as the national 14th Five-Year Plan and the

strategy for developing the Greater Bay Area, Hong Kong is expected to see continuous economic growth. The Regional Comprehensive Economic Partnership (RCEP) has already come into effect, signifying that the world’s largest free trade zone has officially commenced business, which will become a new economic growth driver for the Asia-Pacific region.

2022 marks the 25th anniversary of Hong Kong’s return to the motherland, the 110th anniversary of BOC, and the 105th anniversary of its continuous operation in Hong Kong. At this fresh starting point in history, BOCHK will adhere to the mission of “Bridge China and the World for the Common Good”, and to the values of “Provide Excellent Service, Innovate with Prudence, Uphold Openness and Inclusiveness, Collaborate for Mutual Growth”. We will play an active role in the formation of the nation’s new development pattern and the construction of the Greater Bay Area. Grasping opportunities arising from deepening Asia-Pacific economic, trade and investment cooperation as well as the development of the Northern Metropolis in Hong Kong, we will keep forging ahead, embrace new challenges with a fresh perspective, and push forward our new development from this new vantage point. In doing so, we will strive to create value for all stakeholders and pursue our strategic goal to build a first-class regional banking group while contributing to the economic development, social prosperity and stability of Hong Kong.

LIU Liange

Chairman

Hong Kong, 29 March 2022