

Message from the Chief Executive



The COVID-19 pandemic swept across the globe in 2020, threatening people's health and crippling the world economy. The pandemic deeply affected Hong Kong, leading to an economic recession and creating considerable difficulties for many industries. While the banking sector faced increased challenges in its operations and management, Hong Kong's banking system remained robust overall. The average liquidity coverage ratio and average capital adequacy ratio of major banks remained well above international regulatory requirements. Financial markets operated in an orderly manner, illustrating Hong Kong's solid advantages, strong resilience and abundant opportunities as an international financial centre. During the year, following the plans and decisions of the Board of Directors, BOCHK cautiously responded to changes and actively seized opportunities, while strengthening strategy implementation and exercising prudent risk management practices. As a result, we recorded steady growth in major businesses and enhanced regional synergies. In addition, we accelerated digital transformation and strengthened integrated service capabilities. At the same time, we remained committed to fulfilling our social responsibilities and making positive contributions to society. We supported community efforts against the pandemic and put green and sustainable development into practice.

The Group continued to achieve steady business growth and maintained solid financial indicators, although profitability was affected by the pandemic and economic downturn. As at 31 December 2020, the Group's total assets increased by 9.7% from the end of 2019 to HK\$3,320,981 million. Total deposits from customers and total advances to customers grew to HK\$2,183,709 million and HK\$1,497,864 million respectively, up 8.7% and 7.3% from the end of last year, outpacing the corresponding average market growth rates. Driven by our leading payment and settlement products, the Group's low-or-no-interest CASA deposits grew by 31.8% compared to the end of last year, amounting to 66.8% of total deposits. Despite achieving continued expansion in business scale, the banking industry faced extraordinary challenges, with net interest margin ("NIM") further narrowing across the sector due to the global low-interest rate environment, and banks' provision for impaired assets also increasing due to the pandemic. Even we have not been spared from such trying circumstances. The Group's profit for the year amounted to HK\$28,468 million, down 16.5% year-on-year. Return on average shareholders' equity ("ROE") of the Group was 9.05%. After adjusting for the swap-related impact, NIM was 1.33%, down 36 basis points year-on-year. However, the Group's financial indicators remained resilient. The cost to income ratio was 30.01%, remained well below



the market average. The total capital ratio was 22.10% and the Tier 1 capital ratio was 19.67%, both above the market average. The Group maintained a healthy liquidity position, with the average value of liquidity coverage ratio (“LCR”) standing at 136.39% while net stable funding ratio (“NSFR”) at 125.31% as at the end of 2020, both exceeding regulatory requirements. The classified or impaired loan ratio was 0.27%, remaining below the average level of major peers.

The Group leveraged its financial strength to support efforts against the pandemic, working alongside various sectors of society to navigate the difficult times.

In the face of the pandemic, one of our top priorities was to protect the health and safety of employees by bolstering public health protection measures and caring for employee wellbeing. We also strived to ensure continuous business operation and financial services provision. Moreover, we put in place various measures that helped to unite society against the pandemic. We took the lead in launching five financial support initiatives, promoted the Special 100% Loan Guarantee, and gave our full support to the Pre-approved Principal Payment Holiday Scheme introduced by the Hong Kong Monetary Authority, helping to ease customers’ cash-flow pressures. We extended our support to a number of the government’s anti-pandemic measures by providing related financial services, including facilitating payments for the HKSAR Government’s Anti-epidemic Fund as well as the HK\$10,000 Cash Payout Scheme. As part of our support efforts, we initiated a number of charitable projects and became the first bank in Hong Kong to make donations related to pandemic prevention and control. We donated a total of HK\$15 million to charitable organisations such as The Community Chest of Hong Kong, Tung Wah Group of Hospitals and Po Leung Kuk, benefitting approximately 90,000 frontline health workers and over 70,000 people from disadvantaged communities. In recognition of the Group’s contributions to Hong Kong’s anti-pandemic efforts, we received the “Top Donor of the Year Award” and “Benefactor of the Year Award” from The Community Chest of Hong Kong

in 2020. During the year, as the rotating chairman of the Hong Kong Association of Banks and the chairman of the Chinese Banking Association of Hong Kong, we coordinated industry efforts in the fight against the pandemic. Initiatives included introducing financial relief measures for citizens and enterprises, and providing job and internship opportunities for youth development in Hong Kong.

The Group continued to enhance its competitive advantages in professional services to capture market opportunities while supporting the recovery of the Hong Kong economy.

As a major international financial centre providing abundant opportunities for enterprises and investors, Hong Kong remains the Group’s core market. We continued to shine in RMB business, where many of our strengths lie. BOCHK cleared about 75% of the world’s total offshore RMB transaction value. Seizing the opportunities arising from the listing of China Concept Stocks, our IPO receiving bank business maintained a leading market position. In the Hong Kong and Macao syndicated loan market, BOCHK remained the top mandated arranger for the 16th consecutive year. Taking advantage of Hong Kong as an ideal hub for corporate treasury activities, we secured market leadership in the cash pooling business. To support Hong Kong’s establishment as a green financial centre, we launched the first phase of a green deposit scheme and grew our green loans by over 60% from last year-end. We also assisted our customers in issuing green bonds. Meanwhile, we captured the opportunities brought about by Hong Kong’s development as an asset and wealth management centre for the Asia-Pacific region. Our mid to high-end personal banking customer base maintained double-digit growth. We claimed the top market share in terms of the number of new mortgages. To benefit people’s livelihood and serve local communities, we also supported the development of inclusive finance. At present, more than 40% of our branches are located in or near public housing estates, offering greater convenience to the public.

MESSAGE FROM THE CHIEF EXECUTIVE

The Group actively promoted digitalisation and technology-driven transformation to create an ecosystem with diverse financial scenarios. The pandemic has changed people's lifestyle and spending habits, resulting in the emergence of online business and the growing acceptance of digital finance. As we deepened digital customer engagement, the number of mobile banking customers grew by nearly 30% from the end of last year. The number of BoC Pay and BoC Bill customers both grew by about 80% respectively, while the Faster Payment System customer base expanded by more than 70% from the prior year-end. We made good progress in enhancing the integrated service capabilities of our diverse channels as well as promoting the intelligent development of our service outlets and operation system. All of these efforts enabled us to offer much greater banking convenience to customers. With a core focus on the establishment of an open banking ecosystem, we created diverse application scenarios in such areas as payment, education, property purchase and wealth management, to serve citizens' needs.

The Group continued to facilitate regional collaboration in the development of its Southeast Asian business network and cross-border financial business in the Greater Bay Area. BOCHK enhanced its role as a regional headquarters by stepping up its management of and support to its Southeast Asian entities. In 2020, the overall deposits and advances of our Southeast Asian entities increased by 1.2% and 7.4% respectively compared to the end of last year. Our regional network was further optimised. The Yangon Branch in Myanmar commenced operation. We were granted the approval to set up the Hanoi Representative Office in Vietnam. In addition, the Jakarta Branch received approval from the Indonesian regulatory authority to upgrade its status to Commercial Bank Based on Business Activities 3. We strived to foster RMB business innovation to promote RMB usage in the region. The Manila Branch officially launched its RMB clearing bank business in the Philippines in January 2021. To support the development of the Guangdong-Hong Kong-Macao

Greater Bay Area, we continued to advance financial innovation. Consolidating our first-mover advantage, the number of customers registered for our Greater Bay Area account opening services increased by 40% from the end of last year to approximately 120,000. In addition, a cross-border mortgage loan was launched and piloted in cities such as Zhongshan and Zhuhai. Taking advantage of our enhanced business collaboration mechanism, we gave full support to our corporate customers for their business development in the area.

The Group applied bottom-line thinking and took a proactive approach to risk management to guard against various risks. We were able to implement effective risk control and management in response to market changes through enhanced forward-looking risk management and thorough analysis and assessment of financial markets. Asset quality remained benign with adequate provision coverage, as we strengthened our credit risk evaluation and portfolio assessment. In view of the heightened market uncertainties including the impact of the pandemic, we updated and refined our contingency planning by conducting scenario analyses and stress tests. At the same time, we continued to strengthen risk management in the region, enabling our Southeast Asian entities to continuously enhance their risk control and compliance management capabilities.

The Group is committed to fulfilling corporate social responsibilities as well as promoting green and sustainable development. In 2020, we supported close to 70 charitable projects. Among these projects, nearly 40 were funded through the BOCHK Centenary Charity Programme, which donated approximately HK\$436 million and is expected to reach more than 1.5 million beneficiaries. We also encouraged employees to take part in charitable initiatives. During the year, more than 30 volunteering activities were initiated online and offline, with over 12,000 hours of volunteer service completed. To facilitate the Group's green and sustainable development, we enhanced our environmental, social and governance (ESG) structure



and corporate culture, in line with the requirements set out by the Hong Kong Monetary Authority. In recognition of the Group's performance, we received a series of awards which further enhanced our brand image. These included "Strongest Bank in Hong Kong and Asia Pacific" by *The Asian Banker*, "Best Bank in Hong Kong (Chinese Financial Institutions)" by *FinanceAsia*, and "Best Bank for CSR in Hong Kong" for the third consecutive year by *Asiamoney*.

Looking ahead into 2021, the unveiling of the 14th Five-Year Plan will unlock more opportunities for Hong Kong to integrate into national development. As a participant in the "domestic circulation" and a promoter of both the "domestic and international circulations", Hong Kong will enjoy an even more distinct advantage as a "super connector". This will provide a promising future for the banking industry in jointly building the Belt and Road, serving the Greater Bay Area, and fostering fintech and green finance. The Group will focus on sustainable and high-quality development by devoting our efforts to growing the Hong Kong, Greater Bay Area and Southeast Asian markets. We will endeavour to strengthen regional management, bolster digital empowerment, and optimise service integration. We are intent on implementing our core strategies and strengthening strategy execution to create value for our shareholders, society and investors.

Finally, I would like to take this opportunity to report on changes to the senior management of the Group. Due to a change of job, Mr GAO Yingxin resigned as Vice Chairman and Chief Executive of the Group with effect from 25 May 2020. Under the leadership of Mr GAO over the past two years, the Group has delivered sound operating results that have laid a solid foundation for future development. This February, Mr ZHUO Chengwen resigned as Chief Risk Officer due to a change of job. During his tenure as Alternate Chief Executive of BOCHK, Mr ZHUO fulfilled his responsibilities with dedication, promoting the steady development of the Group. In addition, Mr QIU Zhikun resigned as Deputy Chief Executive of the Group on 20 October 2020 due to a change of job. On 28 February 2021, the Group

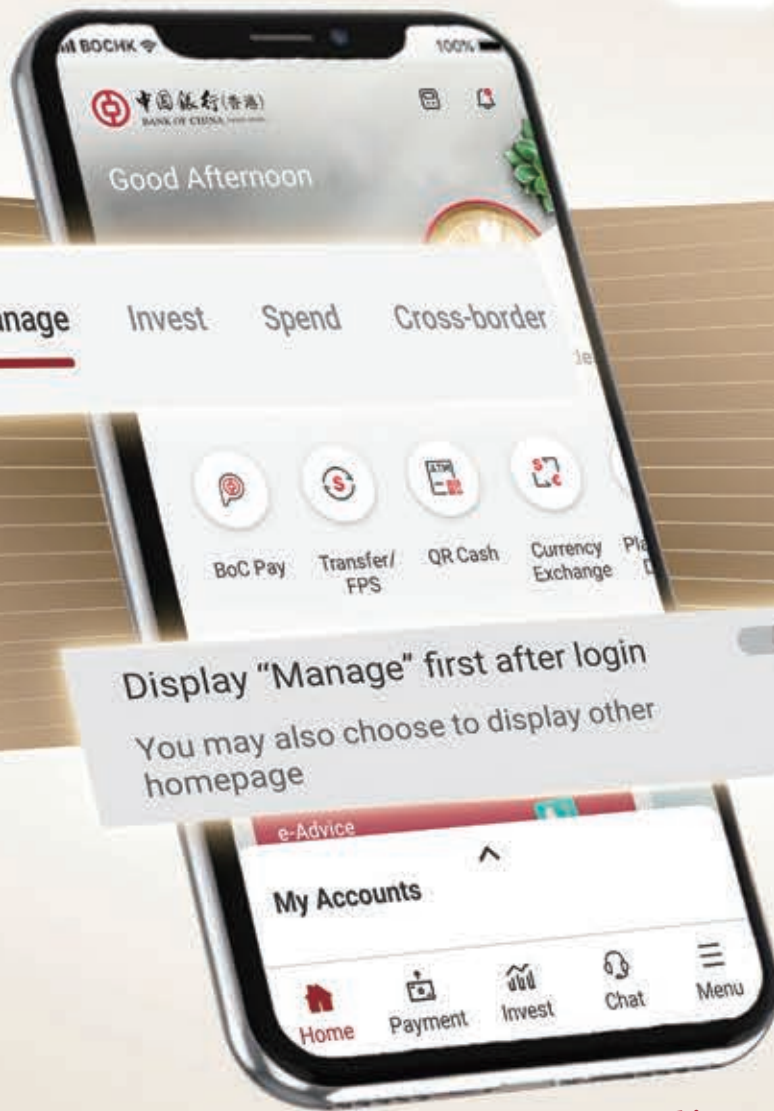
appointed Mdm JIANG Xin as Chief Risk Officer. On behalf of all my colleagues, I would like to express our sincere gratitude to Mr GAO, Mr ZHUO and Mr QIU for their contributions to the Group and extend our warm welcome to Mdm JIANG.

Riding the currents, breaking the waves, and driven by an indomitable will to succeed, Bank of China has embarked on a new journey towards building a first-class global banking group. It is my great honour to be appointed as Vice Chairman and Chief Executive of the Group during this new stage of development. I would like to take this opportunity to express my gratitude to our customers, shareholders and various sectors of society for their long-standing support. I would also like to extend my heartfelt appreciation to the Board of Directors for their wise leadership, and to all my colleagues for their diligence and unremitting exertions. We are convinced that by drawing upon the Group's century-old strengths and rock-solid competitive advantages, as well as the concerted efforts and service excellence of all our colleagues, BOCHK will be able to bridge China and the world for the common good in an open, inclusive and collaborative manner, while steadily and continuously creating greater value for our stakeholders.

SUN Yu

Vice Chairman & Chief Executive
Hong Kong, 30 March 2021

New Wealth Management Experience



New BOCHK Mobile Banking

QR Cash



PRIVATE WEALTH
私人財富



Private Wealth Service

Home Expert Mobile Application

