

Message from the Chief Executive



In 2021, the COVID-19 pandemic continued to threaten public health and roil the world's economy. Global economic recovery unfolded along divergent trajectories, inflationary pressures mounted, and financial markets remained volatile. Emerging economies in Southeast Asia were considerably impacted by the pandemic, with their supply chains coming under constant pressure in the second half of the year. In Hong Kong, the economy steadily recovered, financial markets maintained effective operations and the overall banking system remained robust, although banks still faced many challenges in their operations and management due to low market interest rates. Faced with a complicated and turbulent external environment, BOCHK formulated and implemented a five-year strategic plan in accordance with its Board of Directors' decisions and directions. Guided by the philosophy of sustainable and high-quality development, we redoubled our efforts in the Hong Kong, Southeast Asia and Greater Bay Area ("GBA") markets and actively pursued regionalised, digitalised, and integrated development while adhering to stringent risk management, and proactively seizing market opportunities. We recorded satisfactory growth in our major businesses, achieving an auspicious start for our five-year plan. During the year, we were once again named "Strongest Bank in Hong Kong and Asia Pacific" by *The Asian Banker* and "Bank of the Year in Hong Kong" by UK publication *The Banker*.

We achieved steady business growth with healthy financial indicators, although profitability was still held back by the pandemic and the low-interest rate market environment. As at 31 December 2021, the Group's total assets increased by 9.6% from the end of 2020 to HK\$3,639,430 million. Total deposits from customers and total advances to customers grew to HK\$2,331,155 million and HK\$1,599,084 million respectively, both up 6.8% from the end of last year, achieving balanced growth and outpacing the corresponding average growth rates in the market. However, historically low worldwide interest rates continued to weigh on the banking sector profitability. The Group's net operating income before impairment allowances and profit for the year amounted to HK\$48,982 million and HK\$24,999 million respectively in 2021, decreasing by 10.1% and 12.2% respectively year-on-year. Return on average shareholders' equity ("ROE") of the Group was 7.67%. After adjusting for the swap-related impact, NIM was 1.09%, down 24 basis points year-on-year. At the same time, the Group's financial and risk indicators remained solid, with satisfactory operational efficiency. The cost to income ratio for the year was 33.50%, remaining below the industry average. The total capital ratio was 21.44%. The Group's liquidity indicators exceeded regulatory requirements. The classified or impaired loan ratio was 0.27%, remaining at a lower level relative to industry peers.



We consolidated and enhanced our traditional strengths and optimised our capabilities for delivering integrated services, thus supporting the development of Hong Kong as an international financial centre.

Taking advantage of the new crop of opportunities brought about by RMB internationalisation under the 14th Five-Year Plan, we launched the first offshore PBoC Bills Repo Business Market-making Mechanism in the offshore RMB market, and continued to lead the market in RMB clearing volumes, accounting for over 70% of all offshore clearing worldwide. We remained the top mandated arranger in the Hong Kong and Macao syndicated loan market for the 17th consecutive year; maintained our leading position in terms of IPO main receiving bank business and the number of new mortgages; and retained our market leadership in the cash pooling business. We also remained committed to supporting Hong Kong's development as an international asset management centre. Tapping into customers' demands for investment and wealth management services, we recorded double-digit growth in the number of high-net-worth Private Wealth customers as well as in related assets under management from the end of last year. Supporting Hong Kong's efforts in building an international innovation and technology hub, we achieved steady growth in the balance of credit extended to technological innovation companies and the total number of technological innovation enterprise customers.

We continued to deepen business penetration of our core market in Hong Kong, build strategic positions in high-potential markets in Southeast Asia, and capture key markets in the GBA.

Cultivating the fertile ground of our own roots in Hong Kong, we supported local companies in their endeavours to turn the corner and achieve healthy growth. We joined hands with Hong Kong people from all walks of life in the fight against COVID-19 and made every effort to assist the HKSAR Government in disbursing relief funds to help the poor and the needy. We actively implemented enhancements to the SME Financing Guarantee Scheme and the Hong Kong Monetary Authority ("HKMA")'s Pre-approved Principal Payment Holiday Scheme;

and actively supported the HKMA's initiative to build the Commercial Data Interchange, becoming the first local bank to use business data throughout the process of credit assessment for SME customers during Phase 2 of the Proof-of-Concept study and network link-up. To help SMEs enhance their operational management capabilities, we launched the ERP Cloud Services – Accounting Cloud. We became the first bank in Hong Kong to allow customers to open accounts remotely using the HKSAR Government's iAM Smart mobile app. During the year, our Yangon Branch in Myanmar and Hanoi Representative Office in Vietnam opened for business, and our Manila Branch officially launched its RMB clearing services, which helped to enhance our regional management capabilities and unlock regional synergies. In 2021, the net operating income before impairment allowances of our Southeast Asian entities increased by 8.3% year-on-year, and as of the end of 2021, deposits and loans grew by 16.4% and 2.1% respectively from the end of last year.

We actively expanded our cross-border financial services and participated in the development of the GBA. Giving full play to our bridging role by leveraging our close ties with the Chinese mainland, we were one of the first banks to become eligible for the new Cross-boundary Wealth Management Connect Pilot Scheme and were the first to launch local services. Having gained a first-mover advantage in both that scheme and the Southbound Bond Connect, we led the market in the total number of Southbound and Northbound Wealth Management Connect accounts opened, as well as in turnover of Southbound Bond Connect trading. Seizing opportunities brought about by the development of cross-border finance, we recorded considerable growth in the balance of loans to companies in the GBA compared to the previous year-end. We continually optimised our "GBA Account Opening Service", maintaining double-digit growth in the number of new customers; comprehensively upgraded the "GBA Loan" service to meet Hong Kong residents' cross-border property purchase needs; and became the

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first banking partner in Hong Kong for the GBA Social Security Insurance scheme, enabling eligible Hong Kong and Macao residents to submit registration forms for Shenzhen's social security insurance scheme at outlets designated by BOCHK.

Pursuing innovation-driven development, we accelerated our digital transformation and enhanced our level of smart operations. The total number of mobile banking customers recorded double-digit growth from the end of last year, while the number of mobile banking transactions rose by over 30% year-on-year. The number of BoC Pay customers exceeded one million. We enhanced our scenario-based financial services ecosystem, focusing on areas such as public services, transport, education, home ownership, cross-border finance, and wealth management. The daily usage of our Open API services reached as high as 270,000 times. We launched "PlanAhead", a first-of-its-kind one-stop wealth planning service on our mobile banking platform, allowing customers to conveniently manage their wealth online. User numbers of the intelligent Global Transaction Banking (iGTB) platform continued to increase as the platform was functionally iterated and enhanced. With our core digital competencies continuously enhanced, we were recognised as "2021 Best Digital Bank in Hong Kong SAR" by *Asiamoney*.

Practising the ESG philosophy of sustainable and high-quality development, we actively promoted green finance. In 2021, the total balance of our green loans and sustainability-linked loans to customers increased by 3.1 times from the end of last year, while the amount of ESG-related bonds underwritten was up 1.7 times year-on-year. In cooperation with the Hong Kong Quality Assurance Agency, we became the first banking partner for its brand-new Green Loan e-Assessment online platform. In addition,

we launched the SME Green Financing Incentive Scheme. We instituted our Green Financing Framework and arranged green financing for a number of customers, establishing green finance benchmarks and exemplars for the wider industry. Placement of green deposits by corporate customers rose threefold compared with the same period last year. Meanwhile, we promoted green and low-carbon transition among our customers by acting as a green advisor. The Group's ESG performance was recognised by all sectors of society, with our MSCI ESG rating upgraded to the highest level of AAA during the year, making us the only bank in Hong Kong to have achieved this rating.

Adhering to a bottom-line mindset, we strengthened our risk assessment and dynamic management, building a solid line of defence for risk management. We responded appropriately to changes in the geopolitical situation and industry policies, effectively strengthened our credit risk and credit portfolio management, dynamically optimised our credit strategies, and set aside credit impairment allowances in a prudent manner. We paid close attention to financial market volatility, strengthened risk alerts and early warnings, and kept market risks safely under control. Upholding a bottom-line mindset, we conducted scenario analyses and stress tests, prepared response plans, and continually enhanced our resilience to risks.

Proactively undertaking our social responsibilities, we continually built our corporate culture and put Bank of China's values into practice. We issued the world's first Commemorative Banknote for the Olympic Winter Games in Beijing, with all net proceeds to be donated to charitable causes. Over 70 charitable projects were launched in 2021, covering such areas as poverty alleviation, help for the underprivileged, youth development, environmental protection and carbon reduction, culture, sports, and the



arts. We instituted “BOCHK Volunteer Day” and organised more than 90 volunteer activities during the year, with over 8,200 volunteers providing a total of over 17,000 hours of volunteer service. We were awarded the “Hong Kong Volunteer Award – Gold Award” by the Agency for Volunteer Service for the first time. We also won a number of honours and awards, including the “Award of Excellence in ESG” conferred by the Chamber of Hong Kong Listed Companies, and the “Gold Award in the Servicing and Trading Category” at the Hong Kong Awards for Environmental Excellence, conferred jointly by the HKSAR Government’s Environmental Campaign Committee and Environmental Protection Department, among others.

Looking ahead to 2022, we will respond with composure to the challenges posed by the ongoing COVID-19 pandemic, the worldwide policy drift away from monetary easing, and growing geopolitical risks. Strengthening our risk management and control, we will strive to turn crises into opportunities. In 2022, with the Regional Comprehensive Economic Partnership (“RCEP”) now in force, the 14th Five-Year Plan will further advance the opening up of the financial sector in the Chinese mainland as well as the internationalisation of the RMB. The Guangdong-Hong Kong-Macao Greater Bay Area will further develop and the blueprint for Hong Kong’s Northern Metropolis will gradually become a reality. All of these factors will further highlight Hong Kong’s advantages as an international financial centre and herald a new era of opportunity for the development of BOCHK.

This year marks the 110th anniversary of Bank of China and the 105th anniversary of its service to Hong Kong. Firmly committed to its strategic objectives, remaining true to its mission of “Bridge China and the World for the Common Good”, and practising its values of “providing excellent

service, innovating with prudence, upholding openness and inclusiveness, and collaborating for mutual growth”, BOCHK will strengthen its strategy execution, adhere to stringent risk management, proactively seize market opportunities, enhance the quality of its development, and create more value for its stakeholders. We are confident that, with support from different sectors of the community and through the collective efforts of our staff, BOCHK will be able to achieve steady and sustained success in building a first-class regional banking group!

SUN Yu

Vice Chairman & Chief Executive
Hong Kong, 29 March 2022

Bringing Wealth Management Experience to a Whole New Level



Financial Services in the Greater Bay Area



Cross-boundary
Wealth Management
Connect Scheme



NotALot
Odd Lot Trading Service



PlanAhead



Wealth Management Services



Stock Widget
Investment Tool



智方便
iAM Smart

iAM Smart
for Mobile Account Opening



GBA Youth Card