



# Message from the Chairman

2021 was a critical year as we've summed up the past and gained new strength, while laying out plans for the future. We witnessed the historic convergence of the "Two Centenary Goals" of our country, and the resounding success in eliminating extreme poverty for all Chinese. We withstood a global pandemic in its second year, while still managing to advance our support to the real economy, accelerate reform and innovation, and increase our resilience against risks. The Bank delivered solid financial performance in 2021: the Group achieved a profit for the year of RMB227.339 billion — an increase of 10.85% year-on-year; a profit attributable to equity holders of the Bank was RMB216.559 billion, up 12.28% from the previous year; ratio of non-performing loans was 1.33%, down 0.13 percentage point from the prior year end; and the allowance for loan impairment losses to non-performing loans was 187.05%, up 9.21 percentage points from the prior year end. The Board of Directors has proposed a cash dividend of RMB2.21 per ten ordinary shares for 2021, representing a dividend payout ratio of 30%.

Also in the year, a new blueprint has been drawn for the Group's development during the 14th Five-Year-Plan period, in line with strategies and policies of the country and of the Party, which will guide and inspire our over 300,000 colleagues, united under the vision of building a first-class global banking group, to continue working hard to live up to the mission of bridging China and the world for the common good.

## **Broader support to the real economy from the "Eight Priority Areas"**

We've adopted the new development philosophy and identified technology finance, green finance, inclusive finance, cross-border services, consumer finance, wealth management, supply chain finance, and county-level financial services, as the "Eight Priority Areas" where we will increase our presence and build new growth drivers. Doing so allows us to optimise the structure of our offerings of financial services, and better support high-quality development of the economy. Throughout the year, we continued to step up support to corporate customers in the technology sector, extending credit facilities to over 33 thousands of them; meanwhile, our debt-equity combination financing for tech firms also gained traction. A full line-up of diverse green financial products, was

established and still growing, while our green credit balance experienced a surge. In inclusive finance, we integrated our corporate and retail functions for higher efficiency, which drove a drastic growth in inclusive loans. Progress was made in our cross-border services as well, as we pioneered the H-Share full circulation program, the Southbound Bond Connect, the Cross-border Wealth Management Connect, and many other initiatives, securing our lead in the market. Similarly, our presence in consumer finance and wealth management increased, with more offerings launched in the market and the AUM in the retail business exceeding RMB11 trillion. We also upgraded our supply chain finance services, now branded "BOC Smart Chain", which contributed to strengthening the supply chain of many key industries. And finally, leveraging our resources at the county level, we took well-targeted actions to facilitate the poverty alleviation campaign and support rural revitalisation program.

## **New "One Mainstay, Two Engines" strategy to build on century-long legacy**

As the new development pattern in China starts to take hold, whereby the domestic and international economic circulations reinforce each other, we've located our new strategy to focus on our competitive advantages, which features domestic commercial banking as the mainstay of our Group, and globalised operations and diversified business platforms as two growth engines. The goal is to allow our customers access to the Bank's global resources and services at any point of contact. In 2021, domestic contribution to our total revenue increased, with steady growth reported both in key businesses and key regions. On the side of our overseas network, we demonstrated resilience against the pandemic and managed to maintain stable operations. We also promoted the synergy between our banking arms and non-banking business platforms and turned it into as a key enabler of business and growth, as evidenced in the improved profitability and higher contribution to the Group reported by the latter. In addition, we provided high-quality financial services to the 2022 Beijing Winter Olympic Games as its official banking partner. Having sponsored the 2008 Beijing Summer Olympic Games, we are the only bank in the world to sponsor both the Winter and Summer Games; and we've seized this opportunity to launch a series of Olympics-related banking services, to help promote the national campaign of engaging 300 million people in winter sports.

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### Digital transformation to accelerate future-facing innovation

We've always watched technological advancements and industrial trends with keen interest, and invested heavily in digital transformation and other key innovations that will better position us for the future. We achieved initial success in promoting the four strategic scenarios, including cross-border facilitation, education, sports, and silver economy; helped by our publication of the *White Paper on the Development of Scenario-based Financial Services Ecosystem*, the first of its kind. We also launched an updated mobile banking APP with additional functions, and registered an exponential growth in e-CNY wallet activation. In addition, we've gone all out to accelerate the development of enterprise-level architectures, and foster mindsets and systems compatible with digital transformation. With many of the enterprise-level capabilities being formed and an initial version of the "Three Horizontals, Two Verticals and One Line" data governance framework now in place, we expected sizable flows of dividend from data assets in the years ahead.

### Comprehensive risk management for a stronger footing

As uncertainty and complexity grew in the external environment, we continued to exercise caution and promoted a proactive approach to risk prevention and control, with equal emphasis on stability and growth. We strengthened the comprehensive risk management system of the Group and significantly reduced vulnerabilities; especially, we enhanced differentiated support to overseas institutions and look-through management of non-banking arms. We also optimised credit policies for inclusive finance and retail customers, and launched pilot reform programs for credit management in overseas markets. In addition, further improvements were made to our anti-money laundering system. Risk levels, including that of liquidity risk and market risk, remained stable at the moment.

### Culture building to promote shared values

Rooted deeply in over a century of history and traditions, the Bank's values of "providing excellent service, innovating with prudence, upholding openness and inclusiveness, and collaborating for mutual growth" form the foundation of our corporate culture; and we've taken measures to institutionalise and translate these values and culture into true

competitiveness. In addition, we integrated the leadership of the Party into corporate governance, giving full play to its core function of "setting the right direction, overseeing the big picture, and ensuring implementation of policies and principles"; we also leveraged the Party's political strength, organisation strength, as well as its strength in mass work to advance reforms and support the Bank's development. We encouraged benchmarking and best practice sharing at all levels, which yielded good results especially in raising the mentality of providing excellent service. We stepped up efforts to upgrade systems, optimise workflows, and promote differentiated management, in order to enhance our capacity for innovating with prudence. As a consequence, various types of flexible organisations were established to pick up customer needs at speed, by making extensive and full use of standardised modular products and services, contributing towards an open and inclusive ecosystem. Moreover, nearly 260 financing projects were executed jointly by banking and non-banking platforms within the Group, which has further demonstrated the effect and benefits of collaborating for mutual growth, and paved the way for future breakthrough in the synergy between culture building and business development.

2022 marks the 110th anniversary of Bank of China. 110 years ago, the Bank set its purpose to serve the social and economic development of the country through finance. To that end, our people have since worked hard and tirelessly to overcome all headwinds and challenges, and charted a course for a better future through both tenacity and ingenuity. Now in its second century of operation, the Bank remains a living witness to the great rejuvenation of our nation, and has left a rich legacy of its own that grows more relevant by the day.

### Service to the country is the way to prosperity

From an early history punctuated by turmoil and upheaval, the Bank emerged strong as a national champion in finance. A period of fast growth ensued, thanks to the peace and stability brought by the founding of the People's Republic of China. The Bank received a further boost from the reform and opening-up campaign afterwards, and has now renewed its aspiration of excellence in the new development stage. It has been clear from the start that the Bank has always found strength in the development of, and more importantly, in its service to the country, as was

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pledged in its founding mission — “promoting the welfare of the society and bringing prosperity to the nation”. We continue to be inspired by such purpose and resolve, and will carry through our duty to the national rejuvenation while pursuing business growth.

### People-centered approach leads to excellence

We’ve long put customers in the centre of everything we do, a fine tradition that dates back to the 1930s, when the Bank proclaimed “Bank of China by nature is a bank for all 400 million fellow Chinese”. It was then attested by our perseverance with providing cash delivery and payment services to people in front-line cities during Japanese aggression in the Second World War; and has since been carried over to this day, as we accelerate the building of strategic scenario-based business ecosystems, including cross-border facilitation, education, sports and silver economy, to create better customer experience. As always, we will continue to “provide excellent services” to our customers, to increase their wealth and bring convenience to their life; we’ve also installed a people-oriented mentality in taking care of our own staff. We believe this consistency on people centricity enhances our reputation and serves as a source of our strength. This approach will create more value not only for our external customers, but also for our own employees and our organisation.

### Adaptability sustains a long-standing business

The Bank owes its success throughout different periods to its clear understanding and respect of the general patterns or principles of economic and financial activities, as well as deep insights into market trends and customer needs. Now that we find ourselves in a new world of constant changes and great uncertainty, it has become even more important for us to observe the rules and patterns while adapting to the trends of times; and to stick to the path of financial development with Chinese characteristics, featuring the rule of law and market mechanisms. Such an approach will equip us with the global perspective and keen receptiveness required to adapt, and maintain confidence and composure while navigating challenges.

### Prudence and integrity as our unshakable tenets

Banks are a special type of commercial organisation in that the commodities banks deal in — currencies, capital, and credit — play a distinct role in the functioning of the society, warranting prudence and integrity, which we have taken as our ironclad tenets from the very beginning. Facing profound changes unseen in a century now, we’ve exercised extra cautions, stayed vigilant against potential risks, and further strengthened our comprehensive risk management system, as we believe this is the only and sure way to protect our customers’ interest, ensure financial and social stability, while sustaining long-term growth across economic cycles.

As an old saying in Chinese goes, the power of will knows no bounds, not even summits unattempted or oceans most profound. Our people have time and again proved their strong will as well as their professionalism in the past 110 years of excellence, and are now ready to write a new chapter with renewed commitment. In 2022, we will continue to find guidance and inspiration from Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and our century-long legacy, and focus our efforts on: making our financial services more adaptive, inclusive, and competitive; facilitating higher-level opening-up; fully utilising our strength in overseas network for better integration into global finance governance; and launching cross-border products or solutions that are more efficient and accessible. These initiatives will aid our ongoing campaign of building a first-class global banking group and contributing to the national rejuvenation, while helping us deliver greater results and satisfy the expectations of not only the times, but also our country and its people, and our clients and shareholders.



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*Chairman*

29 March 2022