

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2021.

Principal Activities

The Bank provides a range of banking and related financial services, including commercial banking, investment banking, direct investment, securities, insurance, fund management, aircraft leasing, asset management, financial technology business and financial leasing.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the interest income and other operating income of the Group.

Results and Profit Distribution

The Bank's annual results for 2021 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2021 of RMB2.21 per 10 shares (before tax), subject to the approval of the forthcoming 2021 Annual General Meeting. If approved, the 2021 final dividend on the Bank's ordinary shares will be denominated and declared in RMB and paid in RMB or equivalent Hong Kong dollars. The actual amount distributed in Hong Kong dollars will be calculated according to the average of the exchange rates of HKD to RMB announced by PBOC in the week before the date of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 15 July 2022 and the H-Share dividend distribution date is expected to be 10 August 2022 in accordance with relevant regulatory requirements and business rules. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

At the Bank's 2020 Annual General Meeting held on 20 May 2021, a final dividend on ordinary shares for 2020 of RMB1.97 per 10 shares (before tax) was

approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in June 2021 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount for ordinary shares was approximately RMB57.994 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2021 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2021.

On 30 August 2020, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved by the Board. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 15 March 2021, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 30 October 2020, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2021. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD102 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2021, the dividend distribution plans for the Bank's Domestic Preference Shares (Third and Fourth Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 28 June 2021, with an annual dividend rate of 4.50% (before tax). The Bank distributed a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 30 August 2021, with an annual dividend rate of 4.35% (before tax). The dividend distribution plans have been accomplished.

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At the Board meeting held on 29 October 2021, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2022. According to the Bank's issuance

terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

Cash Dividend Payout for Ordinary Shares and Capitalisation of the Capital Reserve to Share Capital for the Past Three Years

Year of dividend distribution	Dividend per share (before tax) (Unit: RMB)	Total dividend (before tax) (Unit: RMB million)	Profit attributable to equity holders of the Bank (Unit: RMB million)	Payout ratio	Capitalisation of the capital reserve to share capital
2021	0.221	65,060	216,559	30%	Nil
2020	0.197	57,994	192,870	30%	Nil
2019	0.191	56,228	187,405	30%	Nil

Formulation and Implementation of Cash Dividend Policy

Ordinary Shares

The Bank takes full account of the return to shareholders, and also takes into account the long-term interests of the Bank, the overall interests of all its shareholders and the sustainable development of the Bank.

The Articles of Association of the Bank states that the Bank should maintain the continuity and stability of its profit distribution policy. It also clarifies the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

The procedure to formulate the aforementioned dividend distribution policy was compliant, transparent and complete. The criterion and ratio of the dividend are explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. The procedure was in line with the provisions of the Articles of Association and other rules and regulations.

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2021, the Bank distributed dividends on ordinary shares for 2020 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute dividends on ordinary shares before all the dividends on preference shares have been paid.

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Dividends on the Bank's preference shares will be distributed on an annual basis. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend of the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent of the Bank's credit rating, nor do they vary with the credit rating.

The dividend distribution plans for preference shares of the Bank have been approved by the Board of Directors. In 2021, the Bank distributed dividends on domestic and offshore preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Closure of H-Share Register of Members

The H-Share register of members of the Bank will be closed from Saturday, 9 July to Thursday, 14 July 2022 (both days inclusive), for the purpose of determining the list of shareholders entitled to the proposed final dividends on ordinary shares. In order to qualify for the proposed final dividends, the H-Share Holders of the Bank who have not registered the relevant transfer documents are required to lodge them, together with the relevant share certificates, with the H-Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, China, no later than 4:30 p.m. on Friday, 8 July 2022. The ex-dividend date of the Bank's H Shares will be on Thursday, 7 July 2022.

Donations

Charitable donations made by the Group during the reporting period amounted to approximately RMB98.54 million.

Share Capital

As at the latest practicable date prior to the issue of this annual report, the Bank had sufficient public float based on publicly available information, in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange at the time of the Bank's listing.

Distributable Reserves

Please refer to Note V.38 to the Consolidated Financial Statements for details of distributable reserves of the Bank.

Fixed Assets

Please refer to Note V.20 to the Consolidated Financial Statements for details of the fixed assets of the Bank.

Financial Summary

Please refer to the section "Financial Highlights" for the summary of the annual results, assets and liabilities of the Bank for the last five years.

Connected Transactions

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2021, the Bank has engaged in a number of connected transactions with its connected persons in the ordinary and usual course of its business. Such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements according to the Hong Kong Listing Rules.

Directors' Interests in Competing Businesses of the Bank

None of the directors has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

Remuneration Policy of Directors, Supervisors and Senior Management Members

The Bank has formulated a clear regulation on the remuneration of directors, supervisors and senior management members. The remuneration for Chairman of the Board of Directors, President, Chairperson of the Board of Supervisors and executive vice presidents shall be paid in accordance with the rules on remuneration reform for central enterprises, which consists of basic annual remuneration, performance-based annual remuneration and incentive income linked to term appraisal. The remuneration for other senior management members and shareholder supervisors consists of basic annual remuneration and performance-based remuneration, with part of performance-based remuneration paid in a deferred manner. According to the recourse and recovery mechanism for performance-based remuneration of the Bank, if risk losses falling within the employees' remit and responsibility are exposed in excess during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Independent directors as well as external supervisors and employee supervisors are remunerated by the Bank while non-executive directors are not remunerated by the Bank. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, employer contributions to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income.

Please refer to the section "Directors, Supervisors and Senior Management Members" for details of the remuneration of directors, supervisors and senior management members.

Directors' and Supervisors' Service Contracts

None of the directors or supervisors of the Bank has a service contract with the Bank or its subsidiaries that is not determinable within one year or is not determinable without payment of compensation other than normal statutory compensation.

Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance, in relation to the Bank's business to which the Bank, its holding companies, or its subsidiaries or fellow subsidiaries was a party and in which a director or a supervisor or any entity connected with them was materially interested, directly or indirectly, subsisted during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement that would enable the Bank's directors and supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 31 December 2021, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code* as set out in Appendix 10 of the Hong Kong Listing Rules.

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Financial, Business and Family Relations among Directors

Directors of the Bank are not related to one another with respect to finance, business and family, or other material relations.

Substantial Shareholder Interests

Please refer to the section “Changes in Shares and Shareholdings of Shareholders” for the details of the Bank’s substantial shareholder interests.

Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Bank was entered into or existed during the reporting period.

Share Appreciation Rights Plan and Share Option Scheme

Please refer to Note V.34 to the Consolidated Financial Statements for details of the share appreciation rights plan and share option scheme of the Group.

Purchase, Sale or Redemption of the Bank’s Securities

For details of the Bank’s redemption of the Domestic Preference Shares (Second Tranche), please refer to the section “Changes in Shares and Shareholdings of Shareholders” and the Notes to the Consolidated Financial Statements.

Pre-emptive Rights

There are no compulsory provisions for pre-emptive rights requiring the Bank to offer new shares to existing shareholders in proportion to their existing shareholdings under the Articles of Association. The Articles of Association provide that the Bank may increase its capital by public offering, private placing,

issuing rights of new shares to existing shareholders or allotting new shares to existing shareholders, transferring its capital reserve, issuing convertible bonds, or through other means as permitted by laws, administrative regulations and relevant regulatory authorities.

Permitted Indemnity Provision

As stipulated in the Articles of Association, within the scope permitted under applicable laws, administrative regulations and the Articles of Association, the Bank may purchase and maintain any liabilities insurance for the Bank’s former and incumbent directors. The Bank will indemnify every former and incumbent director out of its own assets against any liability incurred when he/she served as director of the Bank to the maximum extent permitted by law and administrative regulations or alternatively to the extent that it is not prohibited by law and administrative regulations unless it is established that the director has not acted honestly or in good faith in performing his/her duties.

During the reporting period, the Bank renewed its directors’ liability insurance to provide protection against claims arising from the lawful discharge of duties by the directors, thus encouraging the directors to fully perform their duties.

Equity-linked Agreement

The Bank has not been engaged in any equity-linked agreement during the reporting period.

Business Review

For disclosures of the Bank in respect of business review under Article 28 of Appendix 16 to the Hong Kong Listing Rules, please refer to sections “Management Discussion and Analysis”, “Environmental and Social Responsibilities” and the “Consolidated Financial Statements”. The relevant disclosure constitutes part of the Report of the Board of Directors.

Use of Raised Funds

All proceeds raised from initial public offerings, issuance of subordinated bonds, the rights issue, issuances of tier 2 capital bonds, preference shares and undated capital bonds have been used to replenish the Bank's capital and increase the level of capital adequacy.

For details, please refer to the related announcements on the websites of SSE, HKEX and the Bank and the Notes to the Consolidated Financial Statements.

Tax and Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2021.

A-Share Holders

In accordance with the provisions of the *Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2012] No. 85) and the *Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2015] No. 101) issued jointly by MOF, State Administration of Taxation of PRC and CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses shall not be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes

mentioned above. The individual income tax levied on dividends and bonuses obtained by equity investment funds from listed companies is also calculated in accordance with the aforementioned rules.

In accordance with the provisions of Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the *Implementation Rules of Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China* mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign investment enterprises in Hong Kong are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between the Chinese

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mainland and Hong Kong and Macao. Accordingly, the Bank generally withholds 10% of the dividends to be distributed to the individual H-Share Holders as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

In accordance with the provisions of the *Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises* (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC, when Chinese resident enterprises distribute annual dividends for 2008 onwards to H-share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on H Shares paid by the Bank.

The tax and tax relief of Shanghai-Hong Kong Stock Connect shall comply with the *Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong* issued jointly by MOF, State Administration of Taxation of PRC, and CSRC.

Domestic Preference Share Holders

The individual income tax levied on dividends obtained by individuals from non-public issuance of domestic preference shares is calculated in accordance with the relevant Chinese tax laws and regulations.

In accordance with the provisions of the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income from domestic preference shares distributed between qualified resident enterprises are non-taxable, and dividend income from domestic preference shares

obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

Offshore Preference Share Holders

In accordance with Chinese tax laws and regulations, when distributing dividends to overseas non-resident enterprises on offshore preference shares, the Bank shall withhold enterprise income tax at a rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of the dividends on offshore preference shares paid by the Bank.

Auditors

Please refer to the section "Corporate Governance — Appointment of External Auditors" for details of the Bank's external auditors.

Consumer Rights Protection

The Bank set up the Corporate Culture and Consumer Protection Committee under the Board of Directors to take charge of the overall planning and guiding of the Group's corporate culture fostering and consumer protection.

In terms of policy formulation, in 2021, the Bank formulated the *Consumer Protection Policy of Bank of China Limited (Version 2021)* and the *Guidelines on the Management of Consumer Financial Marketing and Publicity of Bank of China Limited (Version 2021)*, and revised and issued the *Charter of the Consumer Protection Committee of Bank of China Limited (Version 2021)*, the *Management Measures of Bank of China Limited for Customer Complaints (Version 2021)* and other rules for consumer protection. The Bank further specified the top-level design, overall management, marketing management, complaint management and dispute settlement for consumer protection and pushed for their implementation.

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In terms of consumer publicity and education, the Bank actively organised all institutions to carry out publicity and education campaigns on consumer protection and built a publicity and education system wherein the Head Office, branches and comprehensive operation companies coordinate with each other and online and offline activities are integrated. During publicity campaigns themed on “3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day”, the “Promoting Financial Knowledge, Protecting Personal Wealth”, the “Financial Knowledge Popularisation” and the “Month of Financial Knowledge Popularisation” held in March, June and September, the Bank launched a variety of stimulating publicity and educational activities both at its outlets and through online media platforms such as WeChat, Weibo, its official website, mobile banking and TikTok, which received warm recognition from regulatory authorities and consumers. For both of the “3.15 Consumer Protection Education and Publicity Week” and the “September Joint Financial Education and Publicity Campaign” in 2021, the Bank was awarded the honorary title of “Excellent Organiser” among banking institutions by regulators. It was also repeatedly praised by regulators for its contributions to the “Financial Consumer Rights Day”, “Promoting Financial Knowledge, Protecting Personal Wealth” and “Month of Financial Knowledge Popularisation • Be Rational Financial Investors and Netizens” campaigns.

In terms of complaint management, the Bank adhered to its “customer-centric” business philosophy and reinforced efforts to fulfill its responsibilities. It optimised service procedures and continuously improved customer service experience, thus effectively protecting the legitimate rights and interests of consumers. There were 148 thousand complaints in

2021, a year-on-year decline of 21.1%, representing a downward trend in the total number of annual complaints. Based on analysis by business type, 50.3% of the complaints were about credit cards, 18.1% about debit cards, and 8.1% about loans. The above three types of complaints accounted for 76.5% of the total. From the perspective of complaint reason, 57.4% of the complaints were about policies and procedures, 12.6% about fee rates, and 11.8% about services. The above three types of complaints accounted for 81.8% of the total. From the perspective of geographical distribution, the top five regions in terms of number of complaints in 2021 were Guangdong, Jiangsu, Beijing, Hebei and Shandong.

For detailed information on the Bank’s consumer protection, please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental Social Governance)*.

Members of the Board of Directors

Executive Directors: LIU Liange, LIU Jin, WANG Wei, LIN Jingzhen

Non-executive Directors: XIAO Lihong, WANG Xiaoya, ZHANG Jiangang, CHEN Jianbo

Independent Directors: WANG Changyun, Angela CHAO, JIANG Guohua, Martin Cheung Kong LIAO, CHEN Chunhua, CHUI Sai Peng Jose

On behalf of the Board of Directors

LIU Liange

Chairman

29 March 2022