

BOC Hong Kong (Holdings) Limited
(“The Company”)
Shareholders’ Q&A
Following the Annual General Meeting and
Extraordinary General Meeting on 29 June 2020

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Attendees: Senior Management

Mr Zhuo Chengwen (Chief Risk Officer)
Mdm Wang Qi (Deputy Chief Executive)
Mr Yuan Shu (Deputy Chief Executive)
Mr Zhong Xiangqun (Chief Operating Officer)
Mr Wang Bing (Deputy Chief Executive)
Mr Qiu Zhikun (Deputy Chief Executive)
Mdm Sui Yang (Chief Financial Officer)
Mrs Kung Yeung Ann Yun Chi (Deputy Chief Executive)

Company Secretary

Mr Luo Nan

Following the Annual General Meeting and Extraordinary General Meeting held on 29 June 2020, with the authorisation of the Board of Directors and chairmen of each affiliated committees, the Company (and its affiliated companies, collectively known as “the Group”)’s Management attended the shareholders’ Q&A session. Details are as follows:

- 1. A shareholder asked that due to the widespread influence of the Covid 19 on many industries, what was the impact on BOCHK’s business? Was the management still confident in reaching its mid-to-high single digit loan growth target set early this year?**

Deputy Chief Executive Wang Bing thanked for the question and replied that so far this year Hong Kong has faced a tough environment complicated by Covid 19 outbreak,

local social events, and China-US trade conflicts. In spite of this, Hong Kong has demonstrated good resilience supported by its market depth. The system loans grew steadily and expanded by 2.8% in the first quarter from the end of 2019.

BOCHK outperformed the market in both loans for use in Hong Kong and outside Hong Kong, and grew its loan book by 5.1% in the same period, which was 2.3 percentage point higher than the market average. Its market share also increased by 0.29 percentage point to 13.26%. Entering the second quarter, its loan growth remained healthy indicating a manageable impact.

With the improvement of prevention and control of the virus outbreak, implementation of fiscal and monetary stimulus by various governments, and the effects produced by the HKSAR Government's relief measures, the external and internal economic environment of Hong Kong is believed to gradually improve in the second half. In addition to that, BOCHK has a solid customer base, diversified business layout and comprehensive servicing capabilities. These factors will enable it to dynamically adjust loan growth in line with market changes while striking a balance among scale, quality and customer needs. BOCHK is confident in outperforming the market for the full year by achieving the mid-to-high single digit loan growth target set early this year.

Hong Kong is the core market of BOCHK where it is capable of capturing the demand of not just large-sized corporates, but also of small-sized customers, including key large customers, blue chip corporates as well as quality commercial clients. At the same time it has actively responded to the relief measures initiated by the HKSAR Government by consistently providing support to SME customers in this tough time.

BOCHK enjoys distinctive advantages in the cross-border market, and will continue to develop around two major strategic focuses. The first focus is key regions, of which, Greater Bay Area is the utmost important one. BOCHK will clarify work priorities based on the "Opinions Concerning Financial Support for the Establishment of the Guangdong-Hong Kong-Macao Greater Bay Area" jointly announced by the four ministries and commissions this year, and deliver solid progress in developing this important market. Apart from the Greater Bay Area, Yangtze River Delta and Beijing-Tianjin-Hebei Region are also key markets for BOCHK. The second focus is on key industries and key clients. New infrastructure is a key sector in the Mainland market this year, while medicine & health industry is another spotlight. BOCHK will endeavor to capture the opportunities arising from these sectors and key clients, and achieve steady growth in its cross-border loan business.

Southeast Asia and overseas regions are potential market for BOCHK. Impacted by the Covid 19 outbreak and the fluctuation in exchange rates, the loan growth of its Southeast Asian entities moderated in the first quarter compared with the same period last year after

taking into account the exchange rate movements, which was a result of its prudent approach and market changes. BOCHK will further perform its headquarters function, drive their integrated business growth and step up risk management and control, in particular, strengthening the management of their credit business by providing guidance and support to them, and pursue a steady and fast loan growth while ensuring quality in its Southeast Asian entities. Moreover BOCHK will also further leverage its competitiveness in Asia Pacific's syndication loan business, and capitalise on the increasing opportunities in corporate privatisations. It will also enhance the capabilities in structured financing and project financing businesses, and exploit more quality loan lending opportunities in the overseas market. In conclusion BOCHK is capable of meeting the mid-to-high single digit loan growth target.

2. A shareholder enquired if BOCHK could maintain its track record of benign asset quality given that many corporates and individuals were under stress due to the economic impact of the epidemic, and if it needed to increase provision charges?

Chief Risk Officer Zhuo Chengwen expressed his appreciation for the question, and replied that thus far this year, asset quality of banks has come under pressure as a result of the impact of the Covid 19 pandemic on the global economy. During the period BOCHK's asset quality remained stable with NPL ratio standing at 0.23% at the end of the first quarter of 2020, which was unchanged from the end of 2019. This was attributed to its stringent client selection, solid customer base as well as robust and effective risk management.

Currently the Covid 19 pandemic has not eased. This, coupled with other complex macro factors, will bring about continuous impact to the global economic recovery, which will create great challenges for such industries as tourism, transportation, F&B, and retail, etc. Early this year the HKSAR Government launched various relief measures which have provided great help to ease corporate difficulties, while other proactive initiatives by various governments around the world will also help alleviate the economic slowdown to a certain extent.

BOCHK will continue to monitor the financial conditions of its customers and credit quality changes, especially in those regions and industries heavily impacted by the epidemic. It will strengthen risk and control measures by setting up customer watchlist, and conducting interviews and visits etc. Overall speaking it is confident in maintaining asset quality at a better level compared with the market average. Provision charges are expected to increase this year compared with last year. On one hand, some charges will be incurred when updating the macro-economic factors including GDP, CPI, property prices, among others, to its ECL model. On the other hand, certain clients are definitely facing

operating difficulties. In conclusion maintaining sufficient impairment allowances will be constructive for the bank in safeguarding risk in the future.

- 3. A shareholder expressed that BOCHK had been maintaining steady dividend growth in the past, and enquired if its dividend would be affected this year given operating environment became tough due to the Covid 19 outbreak. The shareholder wished the management to consider minority shareholders' interest and continue to pay dividends.**

Chief Financial Officer Sui Yang thanked for the question and responded that for a long period of time, BOCHK has been striving to balance the interests between shareholders and its own development. Nonetheless as banks are now facing challenges of economic downturn and a low interest rate environment, they are required to retain capital for business development, strategy implementation and satisfy capital requirement so as to withstand potential risk. Therefore BOCHK will make meeting capital requirement the top priority, and will take into account a combination of factors including operating environment, shareholders' interest, the bank's profitability and its long-term development needs, etc. when devising capital plan and deciding on dividend payout.

- 4. A shareholder enquired about the outlook for residential properties market and BOCHK's mortgage growth potential in the second half of this year given the weakened economy and rising unemployment.**

Deputy Chief Executive Kung Yung Ann Yun Chi thanked for the question and replied that the residential property transaction volume fell in the first quarter this year with monthly average transaction of about 3,300, due to the impact of the global economic development, local social condition and the Covid 19 outbreak. The market transaction volume turned more active since April and recorded more than 5,900 in May, while the momentum continued into June. BOCHK's mortgage loans increased by 2.3% in the first quarter this year from end of 2019, outperforming the average growth rate of the market of 1.6%.

Mortgage financing is indispensable for property buyers. BOCHK endeavors to provide quality services to meet customer needs. For example, when the mortgage insurance program was extended to premises priced above HK\$10 million since last year, BOCHK proactively provided corresponding services, and grew its mortgage insurance related mortgage loans by more than 80%. It also strengthened digital banking platform to enable mortgage applications through mobile and internet banking channels, which saw

1.5 times increase in volume so far this year. This part of business is expected to remain strong.

Property market sentiment has been relatively cautious. Supported by low interest rate environment and insignificant increase in housing supply, residential property prices are expected to continue their moderate movements with a low likelihood of sharp correction.

5. A shareholder asked via webcast system that many corporates leveraged the increasingly advanced technology innovation and rolled out online services amid Covid 19 outbreak, and since BOCHK has been leading in fintech, what was the progress of its relevant development and long-term plan?

Chief Operating Officer Zhong Xiangqun thanked for the question and replied that the bank formulated and started implementing “BOCHK digital transformation plan” in 2019. It is a significant bank-wide reform by leveraging technologies to drive enhancement of efficiency, service, and quality based on a customer-centric principle. Solid progress has been made in various aspects.

BOCHK has vigorously developed new payment businesses, and launched innovative e-payment tools such as BoC Pay and BoC Bill. It has also built open ecosystems for such scenarios as consumer spending, charity & education and cross-border payment to achieve cross-sector convergence, resulting in significant increase in service convenience to customers, number of users and transaction volume. In the first five months of the year, BOCHK’s registered users on its FPS increased by nearly 82% year-on-year on a cumulative basis, with transaction numbers exceeding 30% of the market’s total.

BOCHK adopts "Mobile First" strategy and continuously optimises the functions of its e-channels. Its online business performed favorably during the Covid 19 outbreak, with mobile banking transaction numbers increasing by 60% year-on-year and the number of e-channel transaction as a percentage of total transaction reaching 86% in the first five months of 2020. Last year, BOCHK launched the intelligent Global Transaction Banking (iGTB) platform, providing corporate customers with global, smart and online services. Since launch, the number of customers using iGTB has been increasing steadily and already exceeded 16,000 at the moment. BOCHK proactively promotes intelligent operations and adopts smart workflow with the introduction of innovative smart risk management and smart customer services.

In the next few years, BOCHK will continue to pursue customer-centric operation in its digital bank strategy through building agility and digital talent, by driving development in business ecosystems, digital business flow, and smart operation, as well as adopting agile project management and cloud technologies in its IT systems

6. A shareholder asked via webcast system that BOCHK previously launched a series of relief measures to support Hong Kong's economy and help customers cope with difficulties, what were customers' responses?

Deputy Chief Executive Wang Bing thanked for the question and replied that BOC set its root in Hong Kong for over a century, served many industries, and saw SMEs as its valuable partners.

On 6th of February during the initial stage of Covid 19 outbreak, BOCHK took the lead in launching five special measures for financial support and difficulty alleviation, including principal moratorium for mortgage loans, special loan scheme for SMEs and fee waivers etc. which were followed by "supportive installment loans" for personal customers, and expansion of principal moratorium for mortgage loans to subsidised sale flats under the Hong Kong Housing Authority, to provide timely relief to more individual customers. Customer feedbacks were widely positive as BOCHK has so far received over 18,000 enquiries and approved over 3,400 applications.

In addition, BOCHK actively supports HKSAR Government's initiative to offer "Special 100% Guarantee Loan Scheme", and spares no efforts to support HKMA's "Pre-approved Principal Payment Holiday Scheme", in order to meet the pressing needs of customers. Based on the latest available data, BOCHK has led the market with over 3,100 applications approved under the "Special 100% Guarantee Loan Scheme". Furthermore, it has completed processes for more than 1,100 corporate customers under the "Pre-approved Principal Payment Holiday Scheme".

BOCHK will keep close eyes on the epidemic development, proactively make use of digital means to strengthen financial services and explore other appropriate and practical relief measures. It will strive to achieve stable and healthy development across all business lines, and to navigate the tough time together with all communities of Hong Kong.

7. A shareholder asked via webcast system that subsequent to the new policies of Greater Bay Area announced by the Mainland authorities in mid-May, which mean more business opportunities, recent media reports said that the "Wealth Management Connect" scheme could be launched soon. Since BOCHK has been performing well in the Greater Bay Area, how would the management capture the opportunities arising in this business area including the "Wealth Management Connect"?

Chief Risk Officer Zhuo Chengwen thanked for the question and replied that the Guangdong-Hong Kong-Macao Greater Bay Area is a very important strategic region for BOCHK, with enormous opportunities and a promising outlook. The country attaches high importance to the development of the Greater Bay Area with the support of various policies. On 14th May this year, four ministries and commissions jointly issued the “Opinions Concerning Financial Support for the Establishment of Guangdong-Hong Kong-Macao Greater Bay Area”, which include 26 specific measures. The “Opinions” set out important guidelines for the financial industry in supporting the Greater Bay Area development, while also serving as an action guide for strengthening financial innovation and collaboration. Specifically it will provide enormous opportunities to the banking industry in five major areas, including enhancing “Free flow of key elements across the border”, “Financial markets interconnectivity”, “Cross-border usage of RMB”, “Diversified development of featured financial products” and “Coverage expansion of cross-border financial services”.

BOCHK has been paying high attention and following on the “Wealth Management Connect” scheme which presents huge opportunities to the banking industries in both Mainland and Hong Kong, and provide more investment and wealth management options for customers on both sides. BOCHK has been closely monitoring the regulatory progress, actively exploring ways to push for the “Wealth Management Connect” scheme and proactively providing opinions to regulators on such areas as business model, risk & compliance and investor protection etc. BOCHK sincerely looks forward to the roll-out of the scheme soon, and will make full preparation in all business aspects, striving to provide service to customers as early as possible.