

BOC Hong Kong (Holdings) Limited
(“The Company”)
Shareholders’ Q&A
Following the Annual General Meeting on 17 May 2021

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Attendees: Senior Management

Mr Sun Yu (Chief Executive)

Mdm Jiang Xin (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)

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 held on 17 May 2021, with the authorisation of the Board of Directors and chairmen of each affiliated committees, the Management of the Company (and its affiliated companies, collectively known as “the Group”) attended the shareholders’ Q&A session. Details are as follows:

- 1. A shareholder asked if Chief Executive Sun could share his thoughts on BOCHK’s future development and how to lead the Company to a new height, as it was his first shareholder meeting since coming on board?**

Chief Executive Sun Yu thanked the shareholder for the question, and replied that the Board had just approved a development plan for the next five years. The plan will serve as

a guidance for BOCHK's future strategy, which has already taken full consideration of the alignment with the development strategy of its parent bank BOC, its past development and the operating environment facing the banking sector.

Since its listing in 2002, BOCHK has made significant development progress, expanding its total asset size by 350% and profit after tax by 320% as of end of 2020 while achieving a total shareholder return (including dividends) of 698% based on the latest closing price. Overall BOCHK has achieved satisfactory results in strategic execution, and will maintain continuity and stability in its future strategic planning, which can be summarised as “Infusing with one concept, focusing on three markets, enhancing three capabilities and strengthening four strategic supports”.

Infusing with one concept means ESG concept.

Pursuing sustainable and quality development of the bank does not only fulfill the expectations of regulators and customers, it also concerns the inherited requirements of BOCHK's own development. It will adhere to ESG concept, which will be embedded in its strategic decision making and business flows, while strengthening the execution. Currently it has already laid down concrete plans with regard to governance mechanism, management policy, development targets and implementation measures. By deepening ESG strategy, BOCHK seeks to help its customers and itself to become more environment friendly with enhanced corporate governance, so as to drive sustainable and high-quality growth.

Three markets mainly refer to Hong Kong, the Greater Bay Area and Southeast Asia.

Setting its roots in Hong Kong for more than a century, BOCHK has attained outstanding operating results. Despite its highly mature and competitive nature, Hong Kong market continues to offer room for further improvement for BOCHK, in particular in customer, product and income structures, and therefore it will continue to deepen its commitment to this market.

As to the Greater Bay Area (GBA), there were recent media reports on “Wealth Management Connect” and “Southbound Bond Connect”. GBA development is a strategic focus of China, which will present enormous opportunities to Hong Kong. BOC group has established market leadership in the GBA in customer base, products and service capabilities, asset scale and brand. BOCHK will vigorously capture the business opportunities arising from the GBA market.

Southeast Asian market offers huge potential as ASEAN is now the largest trading partner with China. Over the past few years, BOCHK has focused on building foundation by improving the management structure and management model for its regional business. In the future, it will base on the unique market characteristics of each ASEAN country,

and clearly formulate and implement a country-specific business strategy for each of its Southeast Asian entities, continuously consolidating their development foundation and gradually unleashing their market potential.

Enhancing three capabilities to support pursuance of the three markets.

Firstly it is regional management capability. As BOCHK is transitioning from a city bank into a regional bank, both the headquarters and the regional entities need to make adjustment in the adaptation process. Over the past few years it has achieved remarkable progress in nurturing regional management capability and will continue to enhance its levels going forward.

Secondly it is digital empowerment capability. Digitalisation presents both opportunities and challenges to banks. BOCHK will empower its products, services, risk management and operations through digital bank transformation, and strive to enhance customer experience and operating efficiency by effectively deploying technology in its business development.

Thirdly it is the optimisation of integrated service capability. On top of the traditional commercial banking services, BOCHK currently operates a diverse range of businesses including asset management, insurance and custody, for which it will clearly define the business scopes, and expand and strengthen their core business developments in the future, while continuously enhancing BOCHK's role as a solution provider so as to deliver better financial services to customers.

BOCHK will underpin the building of three capabilities by strengthening four strategic supports, including a good corporate culture, talent workforce, smart operations, and smart risk management and control. In the future, it will further consolidate the foundation based on a suitable methodology and its own values with a view to achieving development goals.

2. A shareholder asked if BOCHK would increase dividend payout this year upon improved conditions following last year's cut due to the pandemic impact?

Chief Financial Officer Sui Yang thanked the shareholder for the question and responded that as at end of 2020, BOCHK's CET1 capital ratio, tier 1 capital ratio and total capital ratio all met the regulatory requirements, staying at favorable levels amongst its peers. In the future, in order to meet the demand of increasing regulatory requirements and the 5-year strategic plan mentioned by CE Sun which reflects a positive business outlook, BOCHK will formulate its capital plan by balancing the shareholders' interests and the long-term development needs, while taking full consideration of the requirements set out by the banking regulator. Regarding the dividend outlook for 2021, it will strike a balance

among a wide range of factors including shareholder expectations, external environment, changing risk profile, the bank's profitability and long-term development, as well as the regulator's advice, so as to make a proper decision on dividend payout based on an effective capital plan.

3. A shareholder asked if BOCHK could grow its profit this year given the expected economic recovery and its outperformance last year amid substantial earnings drop in the local banking industry?

Chief Financial Officer Sui Yang thanked the shareholder for the question and replied that during the first quarter of this year, the average levels of 1-month HIBOR and 1-month LIBOR were just 14 and 12 basis points respectively. The persistently low market interest rates brought banks under pressure. Meanwhile in light of the economic recovery, the market had started looking forward to rate hikes. It was believed that BOCHK would benefit from interest rate hike cycle.

In the first quarter this year, supported by the improved market sentiment and its large customer base, BOCHK delivered satisfactory growth in its non-interest income, of which investment-related fee income saw good growth while traditional fee income demonstrated mild rebound. Going forward, as cross-border interactions further recover alongside easing pandemic situation, traditional fee income such as those from credit card and currency exchange businesses was expected to improve to a certain extent, whereas the performance of investment-related fee income will depend on the overall conditions of the capital markets. Leveraging its solid customer base, and distinguished service and product advantages, BOCHK will be able to capitalise on income opportunities while providing quality services to its customers.

As regards the management and control of operating expenses or credit cost, BOCHK will continue to uphold its prudent principle.

Overall speaking, BOCHK will endeavor to improve returns and outperform the market by effectively managing its assets and liabilities, strengthening strategic implementation and capturing business opportunities amid the current market conditions.

4. A shareholder asked what preparation had been made by BOCHK and where opportunities would be given the expected launch of “Wealth Management Connect” in the second half of this year?

Deputy Chief Executive Kung Yeung Ann Yun Chi thanked for the question and replied that relevant regulators jointly released on 6th May the *Guangdong-Hong Kong-Macao Greater Bay Area Cross-Boundary Wealth Management Connect Pilot Scheme implementation details (Consultation Paper)*, indicating the acceleration in promoting financial innovation policies in the GBA. The official launch of “Wealth Management Connect” was just around the corner, though no specific timeline was available yet.

The total AUM of Hong Kong’s asset and wealth management businesses has reached HK\$28 trillion, of which more than 60% has come from non-Hong Kong investors. It is believed that “Wealth Management Connect” can further attract investors to increase the proportion of their assets allocated to Hong Kong, thereby bringing impetus to the wealth management business in the GBA.

“Wealth Management Connect” will bring convenience to GBA residents in making cross-border personal investments. Hong Kong investors will also benefit from the diversified investment options, especially in RMB assets. As mentioned by CE Sun, with professional teams and rich experiences in providing cross-border services, BOCHK will endeavor to provide quality investment service and product options to both Southbound and Northbound customers. Meanwhile it is proactively making preparation and will ensure that it can provide the best services to customers as soon as the “Wealth Management Connect” is launched.

5. A shareholder asked what strategies and measures had been adopted by BOCHK in order to enhance its competitiveness in the fintech areas specifically targeting young customers which had been a focus for banks in the recent two years?

Chief Operating Officer Zhong Xiangqun thanked the shareholder for the question and replied that digitalisation has been an integral and critical part of the bank’s key strategies. Since 2020, BOCHK has been pursuing the digital bank strategy to cultivate capabilities that are driven by data, open platform and intelligence, which is a bank-wide systemic project that aims to incorporate business scenario ecologies, work process automation, smart operations, agile project management and cloud-based system into its development.

In the past year, BOCHK made solid progress in digital bank development with steady growth in both e-channel customer numbers and transaction volumes. It witnessed more than 50% growth year-on-year in personal e-channel transactions, 150% year-on-year

growth in mobile banking securities trading volume, 61% year-on-year growth in securities trading volume through personal online banking platform, and 54% year-on-year growth in the monthly average volume of online mortgage application. At the same time, fully leveraging artificial intelligence and big data technologies, BOCHK has continued to push forward the development of precision marketing, risk control and smart operations, while building new operational and IT systemic infrastructures by employing cloud technologies.

BOCHK will make strenuous efforts in various aspects, continue to deepen digital empowerment and enhance the comprehensive capability of digital bank development, therefore enabling itself to better serve youth customers with innovative products and financial services.

6. Via the webcast system, a shareholder asked what expectation for the loan growth for this year was?

Deputy Chief Executive Wang Bing thanked the shareholder for the question and replied that banks continued to face challenges since the beginning of the year due to the continuous impact of the pandemic. After excluding the impact of IPO activities, BOCHK grew its loans by 3.9% in the first quarter, which fell within expectation and exceeded market growth by 1.5 percentage points with market share gains. Its growth in corporate loans for use in Hong Kong was solid, particularly from the industries that were less vulnerable to the pandemic such as property investment, IT and stock brokerage. In addition to corporate loans, it sustained the market-leading position in residential mortgages that outgrew the market by 0.8 percentage point. Generally speaking, BOCHK's loan growth came mainly from the customers who had long-standing banking relationship, and from the industries that were less affected by the pandemic. Its overall asset quality remained sound and was within expectation.

In the first quarter this year, both Chinese Mainland and Hong Kong displayed favourable economic momentum with GDP growths of 18.3% and 7.9% respectively. With virus prevention and control becoming a part of the routine, especially with the acceleration in vaccinations, the market turned relatively positive on the economic recovery worldwide. IMF was forecasting a global GDP growth of 6% for 2021, which underpinned BOCHK's confidence in its full-year loan growth. BOCHK will continue to capture business opportunities in the Hong Kong, Cross-border, the GBA, Southeast Asian markets as well as other key overseas markets, and strike a balance among loan growth size, asset quality and loan expansion pace, while pursuing the mid to high-single digit loan growth target set at the beginning of this year.

7. Via webcast system, a shareholder asked about the benefit of the recent strengthening of RMB currency exchange rate to BOCHK's RMB business, RMB exchange rate outlook and growth potential of its RMB business?

Chief Executive Sun Yu firstly thanked the shareholder for the questions and expressed that RMB business has always been a development focus for BOCHK which made solid progress in the past. CE Sun then directed the questions to Deputy Chief Executive Yuan Shu.

DCE Yuan thanked for the questions and replied that the magnitude of the current RMB appreciation was the largest one in recent years. As a large bank with RMB business leadership, BOCHK significantly increased RMB debt securities investments in its portfolio in the first quarter. At the same time as a regional bank, BOCHK has been proactively promoting RMB business in the Southeast Asian market where it expects to see solid development in businesses related to currency exchange and debt securities investments. Regarding new products arising from RMB internationalisation, aside from the "Wealth Management Connect", the "Southbound Bond Connect" was also expected to be launched despite specific timetable was still pending for further announcement. Nonetheless BOCHK had already made full preparation including system, human resources and debt securities products in the pipeline, while striving to play a more significant role in the RMB business development in the future.