

BOC Hong Kong (Holdings) Limited
(“The Company”)
Shareholders’ Q&A
Following the Annual General Meeting on 29 June 2022

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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)

Mrs Kung Yeung Ann Yun Chi (Deputy Chief Executive)

Mr Liu Chenggang (Chief Financial Officer)

Company Secretary

Mr Luo Nan

Following the Annual General Meeting held on 29 June 2022, 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 said that BOCHK had launched many green finance products in the past year or so, while currently there were lots of discussion on ESG in the market, and asked the management to share with shareholders any new green finance products and the overall ESG plan in the future.**

Chief Executive Sun Yu thanked the shareholder for the question, and replied that BOCHK proactively aligned with the carbon neutrality plans of the nation and of HKSAR Government, formulated a five-year sustainability plan and earnestly drove ESG promotion and strategic implementation. Solid results were achieved in green finance development with green and sustainability-linked loans up 3.1 times, green deposits up 3.5 times and the underwriting amount of ESG bonds up 1.7 times. At the same time BOCHK strove for innovation and launched Hong Kong's first green residential mortgage loans and first green time deposits for individual customers and the first RMB ESG fund. Furthermore, BOCHK's ESG rating was upgraded to "AAA" - the highest level by MSCI ESG in 2021, making it the top-rated bank among its Hong Kong peers.

BOCHK's green financial business has continued to thrive since 2022. At the end of the first quarter, its green and sustainability-linked loans rose by 44% and green deposits jumped by 65% from the end of the previous year. The amount of ESG bonds underwritten by it climbed by 2.3 times year-on-year. In addition, it launched Hong Kong's first green personal loan for purchasing electric vehicle to promote green transportation, and successfully completed the first Green Repo transaction. Its Vientiane Branch offered the first green time deposit scheme in the local market. In early June, BOCHK became a cornerstone member of the "Alliance for Green Commercial Banks" to jointly drive green and sustainable development.

Beside that, BOCHK has been pursuing carbon neutrality in its operations and has completed the green and energy-saving upgrade of Bank of China Tower, which is a landmark building in Hong Kong designed by the world-famous architect Mr. Ieoh Ming Pei. This green upgrade received a "Platinum" rating from "BEAM Society Limited" on June 20 and marked a significant milestone in BOCHK's vigorous support for Hong Kong's Climate Action Plan 2050.

Looking ahead to the second half, BOCHK will continue pushing forward green and inclusive finance development, and adding more innovative green products and services. It will keep optimising the climate risk management framework and strengthen the capability of monitoring, managing and mitigating climate risks. Meanwhile it will continue to build itself into a green and low-carbon bank, promote paperless and green offices and resource conservation, and drive the green and low-carbon transformation of its self-own properties at measured pace. It will continuously deepen communication with regulatory authorities, the market and investors, learn the best practices in the industry, enhance internal training and corporate culture development, while building its capacity in sustainable development.

2. A shareholder asked if BOCHK would face increasing pressure on non-performing loans and impairment allowances given market volatility and unstable pandemic situation in the globe and what the full year outlook was.

Chief Risk Officer Jiang Xin thanked the shareholder for the question and responded that the pandemic situation has affected the economies of Hong Kong and Chinese Mainland since the beginning of the year. The volatility of the global financial markets and increased geopolitical risks have brought great challenges to the banking industry. BOCHK has always adhered to its prudent risk management policy, stuck to the bottom line of risk management, maintained stable asset quality and adequate provisions while developing business steadily. As at the end of March, BOCHK's non-performing loan (NPL) ratio was 0.27%, staying unchanged from the previous year end and outperforming the authorised institutions in Hong Kong which reported an NPL ratio of 0.98% on average. In the first quarter, due to a rapid loan growth, pessimistic expectation on the macroeconomic parameters of the expected credit loss model (ECL), and the downgrade of credit rating of certain customers, it made an impairment allowance of HK\$933 million with adequate provisions and annualised credit cost of 0.23%.

Going into the second half of the year, the volatile pandemic situation, geopolitical tensions, and the normalisation of monetary policies of major central banks will aggravate the volatility of the financial markets and affect economic recovery. BOCHK will closely monitor changes in customers' financial conditions and the quality of credit assets, especially in industries and regions severely affected by the pandemic, and enhance risk management and control. Overall speaking, it is confident to maintain NPL ratio at a favorable level compared with the market. In the meantime, it will adjust ECL model parameters as appropriate, in accordance with the internal macroeconomic forecasts and with reference to the opinions of external professional institutions, and ensure making prudent and adequate provisions in strict conformity with accounting standards and requirements.

3. A shareholder expressed he was pleased to see that despite facing strong earnings pressure last year, BOCHK still increased dividend payout ratio. As peers reported dividend cuts in the first quarter of this year, what was the management expecting for full-year dividend payout.

Chief Financial Officer Liu Chenggang thanked the shareholder for the question and replied that for a long time, BOCHK has been endeavoring to balance between

shareholders' interest maximisation and its own long-term development. It attached high importance to the long-term stability of dividend returns. In the face of continuous and severe challenges to the banking operations in 2021, its Board of Directors comprehensively considered various factors and proposed to distribute a final dividend of HK\$0.683 per share, bringing the total dividend per share to HK\$1.130 for the full year with a payout ratio of 52.0%, up 2.4 percentage point year-on-year.

Constant improvement in profitability is a critical factor for steady dividend returns. For 2022, as the pandemic situation gradually comes under control and the market has entered a rate hike cycle, banks will see room for earnings recovery. To this end, BOCHK has seized market opportunities and strictly adhered to the bottom line of risk management. The first quarter witnessed a good start and steady progress was achieved in its core earnings performance.

In the second half, BOCHK will take advantage of market interest rate rises and economic recovery, uphold the strategic goal of Building a First-class Regional Banking Group, and pursue progress while ensuring stability. Meanwhile, it will continue to stick to the bottom line of risk management, seize market opportunities and enhance the quality of development. It will strive to constantly boost profitability, maintain adequate capital levels, and continue creating favorable conditions for providing reasonable shareholder returns. BOCHK has always adopted a solid dividend policy with payout ratio standing within 40-60%. For the full-year dividend outlook of 2022, it will earnestly improve shareholder returns by balancing a wide range of factors including investor expectations, external operating environment, risk changes, its profitability and long-term development, as well as regulatory advice.

4. A shareholder asked what development strategies would be adopted for BOCHK's Cross-Boundary Wealth Management Connect Business given BOC Group's extensive service networks in the Greater Bay Area, and how BOCHK would promote this business as opportunities increase after border reopening in the future.

Deputy Chief Executive Kung Yeung Ann Yun Chi thanked for the question and replied that BOCHK was very pleased to become one of the first banks to launch Cross-Boundary Wealth Management Connect services in last October. BOC Group enjoys great advantages both within and outside the border. By continuously strengthening sales and services capabilities, it has established a leading advantage relative to the market.

Despite the impact of the pandemic, stable demand was seen in both northbound and southbound wealth management connect customers. Of which, brand new customers

accounted for 90% of the southbound wealth management connect clients, presenting new opportunities to BOCHK. Northbound customers were relatively active and mostly preferred investing in wealth management products, of which about half of them made investments with RMB funds in their own hands, with the rest being satisfied by buying currencies in the market, which also helped promote foreign exchange business. Currently customers can access Cross-Boundary Wealth Management Connect services at all or more than 180 BOCHK branches in Hong Kong. The northbound service can be opened within the same day at the soonest. Beside that customers can now conveniently use Hong Kong mobile numbers to open mainland BOC account via BOCHK. At the same time, BOCHK also continued to coordinate with BOC Guangdong Branch and BOC Shenzhen Branch to optimise various business flows so as to reduce the difficulties encountered by the customers in the past.

In the next step, BOCHK will proactively explore the business model using financial technologies, and will make good preparation under the interconnectivity programmes when the border orderly reopens, striving to provide the best service to the Greater Bay Area customers in the areas of payment, home purchase, travel, work, retirement, insurance and wealth management, etc..

5. A shareholder asked given the volatile economic environment in Southeast Asia over the recent two years, what loan growth pace the management was targeting and how to control risk.

Deputy Chief Executive Wang Bing thanked the shareholder for the question and replied that due to the volatile pandemic situation and sluggish economies in some Southeast Asian countries, the local banking industry had faced many challenges in 2021. Affected by factors such as exchange rate fluctuations, loans underwritten by BOCHK's Southeast Asian entities grew by 2.1% in Hong Kong dollar terms, which was slower than that of the group and could be explained by a deliberately prudent strategy in response to market changes. Nonetheless, BOCHK's Southeast Asian business has made a good start to this year with 2.5% loan growth in Hong Kong dollar terms in the first quarter. The new loans were mainly made to Chinese enterprises going global and local leading enterprises while overall asset quality was stable with controllable risk.

Despite uncertainties in the external environment, the economic prospects of Southeast Asia are generally believed to be positive. According to the IMF's forecasts, overall GDP of five major ASEAN countries including Indonesia, Malaysia, Thailand, Vietnam and the Philippines will grow by 5.3% in 2022. The implementation of the Regional Comprehensive Economic Partnership (RCEP) will effectively unleash Southeast Asia's

potential and provide new impetus for their growth, which should help improve the operating environment of the Southeast Asian entities.

In the second half, BOCHK will further exert its driving force as a regional headquarters, strengthen integrated sales and marketing and collaborate with the Southeast Asian entities to seize the RCEP opportunities, in order to drive the steady and healthy growth of Southeast Asian loans while adhering to the bottom line of risk management.

From a business development perspective, it will focus on three aspects. First, BOCHK will seize the business opportunities arising from the new round of industry and supply chain restructurings, with focus on key sectors that benefit from the RCEP such as electronics, manufacturing, textile and cross-border e-commerce. In particular, it will target industry chains with large corporate and leading market players, deeply exploit business needs of upstream and downstream enterprises, and provide financing support for cross-border M&As, trade, and investment. Meanwhile, it will increase marketing efforts on key customers and projects, actively expand clientele in key areas, such as high-quality enterprises “going global”, customers pursuing industrial transfer, and those in local economic and trade cooperation zones, while grabbing opportunities of large-scale infrastructure and transportation hub construction projects. It will also satisfy various types of financing needs of customers and promote syndicated loans and M&A financing businesses, so as to drive the loan growth of Southeast Asian entities.

Second, it will support the use of the RMB in the RCEP region. The implementation of the RCEP will further drive the demand for RMB capital in the region. BOCHK will leverage its offshore RMB business advantages, expand RMB business cooperation with mainstream financial institutions in the region, and proactively provide customers with RMB loans and trade finance, so as to steadily expand the RMB loan scale of Southeast Asian entities.

Third, it will promote the regional green economy. BOCHK will follow closely the plans of Southeast Asian countries for carbon peak and carbon neutrality, leverage the headquarters’ experience in ESG business, and lead Southeast Asian entities to improve green financial services. Besides, it will also support the development of green industries such as energy conservation & environmental protection, and clean energy, and provide diverse financing to support customers’ low-carbon transformation.

In terms of risk management and control, BOCHK will pay constant attention to the changes in the external environment, conduct potential risk assessment and forecast, and continuously reinforce risk management and control. It will focus on market risks and the credit risks of moratorium loans, while closely monitoring changes in customers’ operational status and asset quality, and taking effective counter-measures in a timely fashion. Besides, BOCHK will prudently assess new-client acceptance, strictly control the

quality of new loans, and ensure overall asset quality of Southeast Asian entities to be stable.

6. A shareholder said that she is a user of BOCHK's mobile banking and BoC Pay services, and noted that many people talked about financial technologies while bank digitalisation was moving fast amid the pandemic. She posed a question on the results and future plans of BOCHK in this context.

Chief Operating Officer Zhong Xiangqun thanked the shareholder for the question, and her support to BOCHK's mobile banking and BoC Pay services. He further replied that 2021 was a significant year for BOCHK's digital transformation with digital philosophy being turned into practice while many remarkable achievements were made. In particular, BOCHK was named "Best Digital Bank in Hong Kong SAR" by Asiamoney.

At the end of 2021, BOCHK's Board of Directors approved a five-year plan for digital transformation, which clarified the blueprint, objectives and major areas of development. The new plan aims to build a comprehensive digital bank that breaks the limits of its existing business as a city-level bank and hurdles of the procedures, with a view to finding a new sales and marketing model for its business development. Focuses would be placed on five driving factors, including products and services, procedure and experience, open ecological context, data-driven capability and smart management, which will be centered around the supports of agile mechanism, technology empowerment, digital talent, and innovation culture, to fully promote its digital strategy.

BOCHK has also set up a Digital Committee to spearhead the entire strategic development. Digital chiefs have been appointed to manage business segments' digital transformation efforts and enhance the integration between technology and business.

BOCHK has made a good start under its new plan. Payment platforms such as BoC Pay and BoC Bill, while being selected to join the new round of consumption voucher scheme, have continued to iterate version upgrades and integrate into the payment ecosystem. As at the end of May, the number of BoC Pay customers climbed by 21.9% year-on-year, and the number of point-of-service covered by BoC Bill rose further. More than 88% of customer transactions was conducted on digital platforms. BOCHK continued to promote ecological scenario development in the real estate and education sectors. About 120 open API services have been launched, while the daily usage of its open API services exceeded 300,000 times, representing a growth of close to 300%. The number of monthly average applications for online mortgage loans via "Home Expert" surged by more than 7 times from that of 2021.

In the future, BOCHK will constantly invest resources into digital transformation to

empower business development, bank operations and risk management. It will endeavor to create digital competitive advantages and provide customers with high-quality and efficient financial service experience.

7. Via webcast system, a shareholder asked what the outlook of BOCHK's RMB business was given the uncertainties in the external macro-environment and fluctuating RMB exchange rate against USD.

Deputy Chief Executive Yuan Shu thanked for the question and replied that since the beginning of this year, due to the volatile pandemic situation and strengthened US dollar index, the RMB-USD exchange rate once weakened in April. Nevertheless, as the PBOC lowered the required reserve ratio of foreign exchange deposits, investor sentiment gradually stabilised, and the RMB-USD exchange rate demonstrated wide two-way movements. Currently, despite depreciating against US dollar to some extent, the offshore RMB remains relatively stable against a basket of currencies. In the long run, Chinese Mainland's financial market will steadily open to the outside world, and RMB assets will remain highly attractive to foreign investors. Meanwhile, given that Chinese Mainland's fundamentals of economic resilience, great potential, sufficient room for maneuvers, and long-term good prospects will remain unchanged while policy tools are adequate, it is expected that the RMB-USD exchange rate will remain solid with increasing resilience, and will move in a balanced and reasonable manner.

The development of offshore RMB business has been generally stable and healthy with positive results as measured by major indicators. The RMB capital pool remained abundant with RMB842 billion in deposits at the end of April. RMB clearing has continued to grow with RTGS clearing volume up 13% year-on-year in the first five months of this year. The IMF announced in May to raise the weighting of RMB in the Special Drawing Right from 10.92% to 12.28%, which reflects its rising significance in the international market.

Being the most important participant in the offshore RMB market in Hong Kong, BOCHK has actively optimised the working mechanism of its RMB business, stepped up innovation in RMB products and services, and continuously consolidated its business advantages. In 2021, BOCHK remained a market leader with RMB deposits and loans market shares reaching 28% and 22% respectively, while its RMB income grew by 22%.

At present, Chinese Mainland is accelerating to open up its financial markets, promoting the integration of the RMB market into the global financial system, vigorously supporting the building of Hong Kong's offshore RMB hub, and steadily and prudently driving the RMB internationalisation. BOCHK will continue to leverage its RMB clearing bank status, constantly develop customer demand, and keep innovating RMB products and

services. Meanwhile, it will focus on the RMB business expansion in Southeast Asia and strengthen RMB business capabilities. It will also seize the business opportunities in interconnectivity and free trade zones, and promote the cross-border use of the RMB. It will strive to become a major participant in interconnectivity, the main financial service provider for northbound and southbound investors, and a preferred RMB bank for Southeast Asian corporate and institutional customers, with a view to maintaining and consolidating its position and advantages as the first-choice bank for offshore RMB business.

8. Via webcast system, a shareholder asked if BoC Pay could be used in the latest round of consumption voucher scheme of the HKSAR Government, and what consumption benefits would be offered by BoC Pay, and how this scheme could help the development of BOCHK's payment business.

Deputy Chief Executive Kung Yeung Ann Yun Chi thanked for the question and replied that BOCHK was very happy to be chosen as an operator partner under the second round of consumption voucher scheme 2022 launched by the HKSAR Government, allowing it to help stimulate retail sentiment in Hong Kong and provide customers with a more convenient payment service on top of consumption benefits.

BoC Pay is an all-in-one payment tool combining the functions of consumption, funds transfer, payment, offers and rewards. It now covers 70,000 local online and physical merchant's point-of-sale, and supports various payment scenarios in daily life. Its user number has already exceeded one million mark.

Aligned with the launch of the consumption voucher scheme, BOCHK has accelerated the optimisation of BoC Pay's functionalities, and presented a number of related benefits including a HK\$100 welcome coupon for users switched from other operators, HK\$15,000 worth merchant offers and the purchase offer of popular electronic products at very attractive price. Besides that, BOCHK has also provided waivers on handling fees and annual fees for its BoC Bill collection service, so as to further encourage merchants to use e-payment service, which will certainly help promote the growth of payment business.

BOCHK management encouraged and welcomed shareholders to seriously consider choosing BoC Pay to get consumption vouchers.