

BOC Hong Kong (Holdings) Limited
(“The Company”)
Shareholders’ Q&A
Following the Annual General Meeting on 27 June 2024

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Attendees: Senior Management

Mr Sun Yu (Chief Executive)

Mr Liu Chenggang (Deputy Chief Executive & Chief Financial Officer)

Mr Xu Haifeng (Deputy Chief Executive & Chief Risk Officer)

Mr Xing Guiwei (Deputy Chief Executive)

Mr Wang Huabin (Deputy Chief Executive)

Mr Chan Man (Deputy Chief Executive)

Mdm Li Tong (Deputy Chief Executive)

Company Secretary

Mr Luo Nan

Following the Annual General Meeting held on 27 June 2024, 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 shareholders are happy with the increase in both dividend per share and dividend payout ratio for 2023. While BOCHK recorded solid operating performance for the first quarter of this year, there are still uncertainties in the global environment, what is the dividend outlook for 2024?**

Deputy Chief Executive and Chief Financial Officer Liu Chenggang thanked the shareholder for the question and replied that for a long time, BOCHK has been pursuing a prudent dividend policy, striving to balance the maximisation of shareholder interests and

its own long-term development, and attaching great importance to achieving long-term and stable growth in dividend returns.

In 2023, we captured the opportunity of high interest rates to improve earnings capability and profitability, while reasonably controlling the scale of risk-weighted assets and increasing capital returns. Just now, our shareholders have voted on the proposal to distribute a final dividend of HK\$1.145 per share. Together with the interim dividend that had been paid, the total dividend for 2023 would be HK\$1.672 per share, up 23.2% year-on-year. The dividend payout ratio increased 1 percentage point to 54% from the previous year and kept rising amid a stable trend.

In the first quarter of 2024, we actively expanded business development and further strengthened asset-liability management. Overall operating condition was favourable as our deposit and loan growths continued to outperform the market, and operating income increased by 16.8% year-on-year. For the full year, we will continue to work diligently, adhere to the concept of high-quality development, and seize market opportunities and policy support. We will deepen the local market development in Hong Kong, continuously expand the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and Southeast Asian (SEA) markets, further improve our comprehensive, regionalised and digital service capabilities. By doing all of these, we will strive to achieve steady progress in operating performance, and lay a solid foundation for shareholder returns.

Regarding the dividend policy for 2024, our dividend payout ratio will remain in the range of 40-60%. While striving to improve profitability, we will comprehensively take into account factors such as regulatory requirements, risk changes and business development opportunities. We will continue to optimise capital allocation, enhance capital utilisation efficiency, and fully consider shareholder expectations to achieve a steady growth in shareholder returns while creating medium- and long-term sustainable returns for our shareholders.

2. A shareholder said that due to the non-performing loans of Chinese Commercial Real Estate (CRE) sector, banks in Hong Kong saw large increase in provision charges last year, and asked if BOCHK's asset quality will stabilise this year, and what is the outlook for non-performing loan ratio and provision charges for the full year?

Deputy Chief Executive and Chief Risk Officer Xu Haifeng thanked the shareholder for the question and responded that according to the HKMA's 2023 annual report, the non-performing loan ratio of Hong Kong's banking industry increased by 16 basis points to 1.56% as of end of last year, mainly due to the Chinese commercial real estate sector.

During the period, our non-performing loan ratio stood at 1.05%, remaining better than the local industry average, and the credit cost was 0.38%. The credit quality was controllable and there was no systemic risk.

In the first quarter of this year, the mainland and Hong Kong economies grew by 5.3% and 2.7% respectively, which represented a good start to the year. Benefiting from our strict risk control measures and solid customer base, our asset quality remained stable in the first quarter. Our non-performing loan ratio was 1.04% at the end of March, and the annualised credit cost fell to 0.21%. Total loan provision ratio was 0.89% and remained sufficient.

For the full year, it is expected that the Hong Kong economy will keep growing, and the Chinese mainland will continue to strengthen the foundation for economic recovery. In addition, the introduction of series of policies and measures by the mainland regulatory authorities to promote steady and healthy development of the real estate market will be conducive to the improvement of market confidence. However, in the face of the inadequate global economic recovery momentum and the high interest rate environment that affect customers' repayment ability, banks still face challenges in risk management. We will keep paying close attention to market changes, dynamically adjust credit strategies, and continue to improve credit risk control mechanisms and measures. For the full year, we will strive to maintain a relatively stable non-performing loan ratio, and are confident to maintain it at a better level than the market average. In terms of provisioning, we will maintain a consistent and prudent strategy, and make sufficient provisions. Credit cost could be reduced from the level in 2023 and should be within a manageable range.

3. A shareholder said that as the Hong Kong dollar interest rates were volatile so far this year and we did not know when U.S Federal Reserve would cut interest rates, what is the management's expectation on the net interest margin for this year?

Deputy Chief Executive and Chief Financial Officer Liu Chenggang thanked the shareholder for the question and replied that since the beginning of this year, the market's expectations for the Fed's interest rate cuts have been postponed several times, and Hong Kong market liquidity was abundant, which led to fluctuating trend in one-month HIBOR, and created a certain impact on banks' net interest margins. Regarding our own performance, the adjusted net interest margin in the first quarter was 1.61%, up 11 basis points year-on-year, but down 7 basis points quarter-on-quarter, mainly due to a lower one-month HIBOR level during the period compared with the fourth quarter of last year, resulting in a narrowed loan-to-deposit spread. In the second quarter, although the average

one-month HIBOR continued to slightly decrease, we actively developed CASA deposits, and strengthened deposit cost control, striving to stabilise the net interest margin.

For the full year, the performance of banks' net interest margins will still be affected by factors such as market interest rates, loan competition and deposit costs. Based on the general expectations of the market, the magnitude of U.S interest rate cuts this year may not be too large. It is believed that the room for further decline of Hong Kong dollar interest rate from the current level should be limited. Nonetheless there remains some uncertainty in the subsequent trend, therefore continuous stability in net interest margin will still be under pressure. We will continue to monitor market changes, proactively and dynamically manage our assets and liabilities, and maintain market outperformance in the growth of deposits and loans. We will also strive to increase the proportion of long-dated assets to lock in high returns while fully supporting the stabilisation and recovery of CASA deposits, and controlling deposit costs. We will take multiple measures to mitigate the possible impact of falling interest rates on the net interest margin.

4. A shareholder said that with the HKSAR Government's withdrawal of property cooling measures in this February, what is the management's outlook on the property market development for this year, and would mortgage loans see favourable growth for the full year?

Deputy Chief Executive Chan Man thanked for the question and replied that since the withdrawal of the property market cooling measures at the end of February, Hong Kong's residential property prices have fluctuated in a narrow range, while market transaction volume recovered notably. The transaction volume of residential buildings increased by 67% in March from February, and by more than 100% in April from March. During the period from March to May, the residential transaction volume increased by about 14% year-on-year, with an average transaction volume of about 5,800, higher than the monthly average of 4,700 from 2019 to 2023.

In the face of the latest market changes and fierce peer competition, we closely responded in accordance with the market trends, adhered to the customer-specific pricing strategy and continuously optimised our banking services to provide customers with convenient choices. We strengthened cooperation with developers, real estate agents and mortgage brokers, and built different sub-scenarios in the "Home Expert" mobile app to attract customers with different property needs. In the first quarter of 2024, we recorded a 27% year-on-year growth in the average monthly number of online mortgage applications, which accounted for nearly 80% of total mortgage applications. At the same time, we adopted differentiated marketing strategies for the primary housing, public housing,

secondary housing and refinancing markets to secure our leading position in the business. In the first quarter, we underwrote more than 4,400 new mortgage loans, and our market share increased by 11.7 percentage points to 38.3% compared with the end of last year, maintaining our leadership in the market. At the end of the first quarter, our housing mortgage loans increased by 1.3%, higher than the market growth rate.

For the second half of the year, although the Hong Kong dollar interest rate will remain relatively high, with the support of the HKSAR Government's policies that promote economic development and continuously attract high-quality talents, and the gradual recovery of housing demand after the withdrawal of the cooling measures, it is expected that the Hong Kong residential market will maintain a steady recovery.

As always, we will continue to leverage our advantage of the largest branch network in Hong Kong, further promote open banking to achieve cross-sector convergence and strengthen online and offline services. While continuing to meet the rigid market demand, we will actively explore the housing needs of newcomers through initiatives such as Top Talent Pass scheme, provide high-quality mortgage services to our customers, and promote the solid growth of our mortgage loans.

5. A shareholder said that people flows and economies have gradually improved since the full border reopening between Hong Kong and the Chinese mainland, given BOCHK's brand advantage, what products and services are available to support both northbound and southbound daily life and consumption, as well as investment and financing?

Chief Executive Sun Yu thanked the shareholder for the question and replied that since the border reopening at the beginning of 2023, cross-border exchanges between the Chinese mainland and Hong Kong have become increasingly frequent. While the number of southbound tourists has rebounded, the phenomena of "Hong Kong people heading north" has also become a new consumption trend in the GBA. BOCHK seized the opportunity and prepared in advance to launch targeted preferential and service measures. We promoted the optimisation and upgrading of people's livelihood financial services such as cross-border payment and cross-border consumption. The growth momentum of cross-border feature businesses continued.

Benefiting from a series of government talent schemes and other policies, as of the end of March, the number of our individual cross-border customers increased by 26.4% compared with the end of 2022 before border reopening. With the official launch of "Cross-boundary Wealth Management Connect 2.0" at the beginning of this year, the number of customer accounts opened and the amount of funds remitted under our

northbound and southbound wealth management connect services continued to grow, which enabled us to maintain a leading market position. As of the end of March, the customer number of our GBA Account Opening service increased by 44.6% compared with that of the end of 2022 before the border reopening. BOCHK Greater Bay Area Loan has also been recognised by customers, driving the increase in related business volume. In the first quarter, the cumulative transaction volume of BoC Pay reached a record high while the average daily transaction amount of cross-border payments using BoC Pay in the Chinese mainland increased by nearly 3 times year-on-year. BOC credit card spending in the Chinese mainland also hit a record high with 31.6% growth from the same period of last year.

In addition, actively supporting Hong Kong's development into an international innovation and technology centre, we launched the "Innovation & Technology and Talent Financing Incentive Scheme" to meet the corporate financing needs for innovation and technological development and the cultivation of scientific and technological talents, which achieved positive results.

In the next step, we will continue to fully promote the business development of the GBA with focuses on people's livelihood, cross-border scenarios, technological innovation and green finance. In terms of personal banking, we will further improve the convenience of cross-border financial services to facilitate cross-border consumption, cross-border home purchases as well as cross-border wealth management and asset allocation for GBA residents. In terms of corporate banking, we will flexibly leverage onshore and offshore markets to build a cross-border service platform, serve the diversified cross-border financial needs of corporate and institutional customers through multiple channels, and continuously improve the service model of innovative tech companies throughout their life cycle. At the same time, we will actively participate in green financial promotion activities in the region to help build Hong Kong into a green and sustainable financial centre. We will capitalise on the cross-border integrated service advantages of BOC Group, seize policy opportunities, continue to strengthen product and service innovation, and strive to consolidate the market position of "the first-choice bank for cross-border financial services in the GBA".

6. A shareholder said that loan demand in Hong Kong banking sector has not been very strong so far this year, given BOCHK's favourable loan growth in the first quarter, does the management expect continuous loan growth for the full year?

Deputy Chief Executive Wang Huabin thanked the shareholder for the question, and replied that since early this year, the overall loan demand in the Hong Kong market has

remained relatively sluggish, with total loan balance at the end of the first quarter falling by 1.0% from the end of last year. We actively responded to market changes, leveraged our advantages in customer base and professional services, continued to deepen cooperation with high-quality customers in Hong Kong, cross-border and SEA markets. We fully implemented corporate loan projects in the pipeline and promoted the development of personal loan business. In the first quarter, our customer loans increased by 1.7% with the local market share rising by 0.42 percentage points from the end of last year to 16.61%, continuing to outperform the market.

For the full year, the market generally expects that the Fed to postpone its rate cut decision, and the market interest rate may stay high for a longer time. It will take time for enterprises to restore their borrowing appetite. However, one should also note that the Chinese mainland continues to implement a proactive fiscal policy and a prudent monetary policy, and has introduced a series of measures to boost domestic demand, promote industrial upgrading, and support the stable development of the real estate industry. After the withdrawal of cooling measures by the HKSAR Government, the local residential property market has become more active. At the same time, policy measures adopted by the HKSAR Government such as attracting investment and talents, further expanding the Individual Visit Scheme and promoting the Mega Event economy, will make progress and facilitate the steady development of Hong Kong economy. In addition to that, the SEA economy is also improving in a stable manner. The aforementioned factors will provide opportunities for banks to develop their lending businesses.

BOCHK will continue to base itself on the three major markets and promote the high-quality development of its loan business. First, we will fully leverage the customer and product advantages in the Hong Kong market, support various government infrastructure projects, deepen cooperation with customers such as local blue chips, industry leaders, institutions and serve the financing needs of high-quality SMEs. Second, we will seize cross-border market opportunities, follow the direction of the country's new quality productive forces and focus on key industries such as artificial intelligence and advanced manufacturing, to fully support customers' cross-border investment and financing needs, while steadily promoting the development of innovative tech loans and green loans. Third, we will deepen the SEA market development by capturing the opportunities of a close China-ASEAN trade and investment relationship. We will pay great attention to large SOEs and quality private Chinese enterprises, which are going global, in key industries such as new energy vehicles, electricity and digital economy, and promote the steady growth of SEA loans. We will continue to adhere to the work philosophy of “seeking progress while maintaining stability, promoting stability through progress”, endeavour to achieve steady loan growth on the premise of insisting on the bottom line of risk, striving to outperform the market for the full year.

7. Via webcast system, a shareholder noted that BOCHK has been proactively participating in the research of digital currency, can the management share what progresses were made? How will it benefit future banking services?

Deputy Chief Executive Xing Guiwei thanked for the question and replied that BOCHK has always attached importance to the research and development of digital currency and has worked in four areas. Firstly, in terms of e-CNY, with the support of regulators, we launched the research of cross-border e-CNY pilot as early as 2020, and currently have developed related products for individuals, merchants and corporate customers. Starting from 2023, we joined with BOC, our parent bank, and successively launched the southbound and northbound activities of “Cross-border Shopping Festival”. Our BoC Pay has also launched an “e-CNY Zone”, where customers can complete basic e-CNY services such as binding, recharge, payment and inquiry. Through cooperation with local governments in China, we also put exclusive red packets in BoC Pay to nurture customers’ cross-border payment habits, facilitate convenience and reduce transaction costs. We are also cooperating with more local entities in Hong Kong, including Mannings and Octopus on e-CNY. After the HKMA announced the scope expansion of the local pilot on 17 May, customers of 17 local banks can easily top up their onshore e-CNY wallets with Bank of China through their own bank accounts, thereby expanding the coverage of local customers. In terms of corporate applications, we support local customers to use e-CNY for pilot settlement in cross-border procurement of commodities and cross-border investment in precious metals, reducing cross-border settlement costs and improving transaction efficiency.

Secondly, we have been deeply involved in the multi-CBDC project (mBridge). This year, we have completed the verification of more cases in more areas under the guidance of the HKMA, including the support to liquidity-related transactions on the mBridge platform. In early June, that project has officially entered the “minimum viable product” stage (MVP) and began to introduce institutional participants from more countries and regions. We will actively support the HKMA to further optimise product processes and accelerate large-scale application of the platform.

Thirdly, in terms of digital Hong Kong dollar, BOCHK is also one of the first banks to participate in the HKMA's e-HKD Pilot Programme. In October 2023, we officially launched the simulated e-HKD trial to help retail merchants and customers to rebuild a flexible, convenient and open prepaid consumption business model that provides fund security and easiness. The trial has received positive feedback from merchants and consumers. At present, we are also actively participating in the second phase of the e-HKD pilot programme.

Fourthly, BOCHK has also been paying attention to the business development of tokenised assets. Tokenised asset trading is an important scenario for the application of digital currency. In March this year, the HKMA announced the launch of the wholesale central bank digital currency ensemble project, and we became the initial member of the project architecture team. Currently, we are actively participating in the sandbox trial, which supports tokenised deposits and tokenised asset trading, to promote the construction of a related trading ecosystem.

In the next step, BOCHK will continue to actively experiment with the application of digital currency in various scenarios in the above four areas, to facilitate the development of Hong Kong's digital economy, provide customers with more convenient financial services and contribute to the financial benefits and development of digital finance.

8. Via webcast system, a shareholder asked that the Company's annual report 2023 showed that its Southeast Asian business recorded favourable growth, is it expected to continue this year and what strategies are adopted to further develop the Southeast Asian business?

Deputy Chief Executive Li Tong thanked for the question and replied that the SEA economies continued to recover steadily, with GDP growth reaching 4% in 2023, while the market is expecting 4.9% growth for this year. China and ASEAN remained the largest trading partners of both sides in the second year of the RCEP implementation, and the comprehensive strategic partnership was further consolidated, providing a favourable business environment for us.

We insisted on integrated operation in the region and continued to leverage our synergistic advantages. In 2023, customer deposits and customer loans of our SEA entities grew by 9.5% and 4.6% respectively, both were above the average growth rates of the Group. Driven by net interest margin expansion, their net operating income increased by 39.1%, further increasing the contribution to the Group's earnings. Since the first quarter of this year, the SEA entities have maintained steady deposit and loan growths, and positive performance in income and earnings.

For the full year, we will adhere to the concept of integrated operations and continue to employ the "one-bank one-policy" development strategy with our nine SEA entities. First, we will seize the opportunities from the industrial chain transfer and the new development pattern of China, focus on major Belt and Road cooperation projects and key "going-global" customers, while making continuous efforts in product diversification, service refinement and talent specialisation to provide customers with comprehensive financial support. Second, we will actively leverage the advantages of our offshore RMB

business and fully support the use of RMB in the region, helping to promote a steady, prudent and solid development in RMB internationalisation. Third, we will closely follow the carbon peak and carbon neutrality plans of SEA countries and improve the level of green financial services of our domestic entities, to promote the development of green economy in the region. Fourth, we will further pursue digital transformation with focus on mobile banking, mobile payment and the Intelligent Global Transaction Banking Platform (iGTB), and continue to optimise and upgrade functions, while promoting the businesses. We will accelerate the growth of the SEA business and increase the Group's contribution, under the premise of adhering to the risk bottom line.