Transcript of Analyst Briefing for 2020 Annual Results

Part 1: 2020 Annual results presentation

Chief Executive Sun Yu

Good afternoon, ladies and gentlemen.

It is my great pleasure to meet you here for the first time in my capacity as Chief Executive. I would like to express my sincere gratitude for your enormous and long-standing support to BOCHK. I hope you will continue to support and help us in the future.

I would also like to take this chance to extend my gratitude to my predecessor Mr. Gao Yingxin, and former Chief Risk Officer Mr. Zhuo Chengwen. Under the leadership of Mr. Gao, the Company made great progress through proactive actions and innovations over the past two years, and laid a solid foundation for the future development. Mr. Zhuo diligently performed his duties as acting Chief Executive and sustained the stable and orderly development of BOCHK.

In addition, I am delighted to introduce our new CRO Madam Jiang Xin to you. Madam Jiang has extensive experience in corporate banking business and integrated management within BOC Group. She is familiar with global financial markets and skilled in cross-cultural communication. We hereby extend a warm welcome to Madam Jiang for joining our senior management team.

Next, let me walk you through the highlights of our strategy execution for the past year.

In 2020, the Covid-19 pandemic swiftly swept the world and damaged the global economy and brought more complexities to the international environment. Hong Kong's economy fell into recession for two successive years, causing hardship for many local industries.

In face of severe challenges, BOCHK strengthened strategy execution and risk management with calm and prudence. Our core business outperformed the market while financial indicators remained solid.

We continued to gain market shares with strong growth in customer loans and deposits. We maintained strong capital position and stable asset quality among local peers. Profit after tax for the year was HK$28.5 billion. The Board has proposed a final dividend of 79.5 cents per share. Including the interim dividend, our dividend for the year will be HK$1.242 per share, representing a payout ratio of 49.6%.

We deepened our engagement in the local market by further enhancing our leading professional services to support economic recovery in Hong Kong.

Taking advantage of Hong Kong's emergence as an asset management and wealth management hub for Asia Pacific region, we maintained double-digit growth in the number of mid to high-end customers. Our core product advantage was further solidified as our leadership in new residential mortgage business was sustained.

We kept our market leadership in corporate banking business. Aside from remaining the leading syndicated loan arranger in the Hong Kong and Macao region for the 16th consecutive year, we also continued to lead the market in various areas such as IPO receiving bank business, client acquisition under Bond Connect, and cash pooling business. Our DCM business made new breakthroughs in underwriting bonds for local public organisations and renowned enterprises.

We boosted our treasury business capabilities and continued to optimise customer experience. We achieved solid progress in regional business development with the global market income of our Southeast Asian entities increasing by 17%.

We fully leveraged our regional synergies by accelerating the growth of our Southeast Asian business footprint. In Vietnam, we received regulatory approval to set up the Hanoi Rep Office, while our Jakarta Branch has obtained regulatory approval for an upgrade on the back of strengthened competitive capabilities.

We proactively weathered the impact of the pandemic and steadily advanced business development. In past three years, our Southeast Asian entities saw a compound annual growth rate of 16.7% and 9.4% in customer loans and deposits respectively, notably higher that of the Group. The NPL ratio was 1.90%, and overall risks remained controllable.

We actively participated in the construction of the Greater Bay Area. A total of 120,000 GBA accounts were opened with us, representing a growth of 40% in the year. We also optimised our GBA mortgage service to enhance the experience of entire customer journey. To support the development of innovative tech companies, we tailor-made financing solutions for them and achieved a loan growth of 10.7% in that particular segment. At the same time, we proactively supported new economy enterprises going for IPOs in Hong Kong.

We leveraged our RMB franchise to promote RMB usage. In 2020, the offshore RMB clearing transaction value handled by BOCHK reached RMB282 trillion, accounting for 75% of the global total. BOC Malaysia and the Jakarta Branch actively drove the local RMB business development. The Manila Branch officially launched its RMB clearing bank business. BOCHK launched the market-making mechanism of PBOC bills repo business in Hong Kong to drive the growth of offshore RMB bond market.

We further enhanced the business development of our integrated service platform. BOC Life improved its rank in the market while both BOCHK Asset Management and BOCI Prudential saw solid growth in their AUM. Remaining true to our customer-centric principle, we actively pursued our transformation into a digital bank.

We continued to expand our payment ecology contexts in utility services, transportation, consumer spending, charity and education, and promoted cross-sector integration via open APIs. During the year, the number of FPS registered customers increased by more than 70%, and the BoC Pay transaction volume grew by 2.7 times. We sped up the intelligent development of our service channels. The number of mobile banking users increased by about 30%, and the iGTB service was rolled out in our

Southeast Asian entities. To increase the level of service convenience, we set up an electronic experience zone at 181 branches in Hong Kong.

We used new technologies to enhance our business operations and risk control efficiency. Blockchain was increasingly used in our property valuation platform, covering 97% of all valuations. In collaboration with our parent bank, we led the market by completing the first batch of blockchain cross-border trade financing. Moreover, a bank-wide smart anti-fraud platform was constructed to strengthen our intelligent risk management capability.

We continued to strive for long-term sustainable growth by proactively embedding ESG into our corporate development.

Led by the Sustainability Committee under the Board, we have formulated and published a "Sustainability Policy". During the year, we became the first bank in the market to roll out green deposits. Meanwhile, we underwrote green loans, and assisted our customers to issue ESG bonds and green funds, to support the Hong Kong Government's green finance promotion initiative. We also took part in various charity projects to show our care for society.

These efforts helped us keep our leadership in ESG area, and earned us AA ratings from MSCI and the Hang Seng Sustainability Development Corporate Index for a further consecutive year.

In 2020, faced with the impact of the Covid-19 pandemic, we proactively cooperated with the Hong Kong Government, and navigated the difficult times together with the local communities.

We took the lead in introducing “five financial support initiatives” against the Covid-19 outbreak, actively participated in the government’s “Special 100% Loan Guarantee Scheme” and “Pre-approved Principal Payment Holiday Scheme”, and dedicated to mitigating customer difficulties by offering financial support.

Leveraging our advantages in service channels and technology, we devoted maximum efforts to support the Government’s “Employment Support Scheme” and “Cash Payout Scheme”. We led the industry to provide job opportunities to new graduates and outstanding youths in Hong Kong, and in making donations to help frontline medical workers and the members of minority groups.

Owing to our persistent charitable efforts, we received the “Top Donor of the Year Award” and the “Benefactor of the Year Awards” from The Community Chest of Hong Kong in 2020.

Chief Financial Officer Sui Yang

In 2020, our profit after tax was HK$28.5 billion, down 16.5% year-on-year, which was mainly because of the impact of lower net interest margin, higher loan impairment allowances and the decreased value of investment properties due to the economic downturn during the year.

We continued to expand our mid to high-end customer base, and deepened business engagement with corporates, governments, central banks, international financial institutions and sovereign funds on a diverse range of services, including payroll, e-payment, IPO receiving bank business, cash management and cash pooling. Low or no-cost CASA deposits grew strongly by 31.8% with CASA ratio rising to 66.8%.

As at the end of 2020, our customer deposits grew by 8.7% from the end of previous year to HK$2.2 trillion, taking our market share to 15%, up 0.44 percentage point.

Our customer loans increased to HK$1.5 trillion, up 7.3% from end of 2019. Our market share increased by 0.79 percentage point to 13.76%.

We supported Hong Kong's economy and met the financing needs of high-quality local customers. Loans for use in Hong Kong increased by HK$66.7 billion or 7.2%.

We also took advantage of cross-border collaboration with Chinese Mainland, and extended our strengths in syndicated loans into Southeast Asia, thus increasing loans for use outside Hong Kong by HK$44.5 billion or 11.3%.

During 2020, the sharp fall in market interest rates and rising competition for customer loans and deposits led to significant shrink of loan-to-deposit spreads and debt securities investment yields. Adjusted for the swap-related impact, our net interest margin dropped 36 basis points year-on-year to 1.33% and net interest income decreased by 15.6% year-on-year.

In response to these challenges, we proactively managed our assets and liabilities by expanding the loan book and optimising deposit structure. The average interest-earning assets grew by 7.3% year-on-year.

The pandemic weakened consumption, dampened business activity and led to a decrease in large-scale financing deals. As a result, our fee income from traditional businesses such as credit card, insurance, and loans commission dropped notably.

At the same time we captured strong demand from capital markets, the mutual market access scheme, and cash management business, which facilitated a 69% growth in securities brokerage commission and the favourable growth in fee income from trust and custody services as well as payment service.

For the whole year, our net fee and commission income edged down by 0.7% to HK$10.84 billion, representing a remarkable improvement over the interim results.

While ensuring resources for key strategic projects such as digital transformation and fintech innovation, we strengthened cost control so as to mitigate the revenue pressures.

Our total operating expenses fell by 1.9% year-on-year and the cost-to-income ratio was 30%, continuing to outperform the market.

In response to a tough external environment, we strictly adhered to our prudent risk management principle and stepped up risk controls. Asset quality remained steady and sound. Provisions were maintained at an adequate level. At the end of 2020, our NPL ratio was 0.27%, up 4 basis points from the end of 2019 while our provision coverage increased to 230%. Both indicators were better than the market average.

The credit cost for 2020 edged upwards by 2 basis points year-on-year to 0.16%. Provision charges for customer advances and other accounts increased by HK$637 million mainly driven by stage 1 and stage 2 provisions as a result of our solid loan growth, ECL model parameter updates and proactive review of customer credit ratings.

Our capital and liquidity positions remained sufficient. As of the end of 2020, our CET 1 ratio was 17.75% and the total capital ratio was 22.10%. Our average LCR and NSFR continued to stand at solid levels.

Chief Executive Sun Yu

Looking into 2021, the external environment will remain complex while the unsteady and uneven economic recovery around the world will continue to present uncertainties to the banking sector.

However, we believe that China's 14th Five-Year Plan and new dual circulation development pattern will provide favourable conditions for a higher level of opening up. As a super connector with Chinese Mainland, Hong Kong will definitely benefit from the orderly construction of the Greater Bay Area, the accelerated opening up of Mainland capital markets, as well as relatively fast economic recovery in Southeast Asia.

The latest budget plan announced by the Hong Kong Government has well balanced the near-term challenges and long-term development. It will effectively support local economic recovery and consolidate Hong Kong's status as an international financial center.

Going forward, BOCHK will keep focusing on the three major markets of Hong Kong, the Greater Bay Area and Southeast Asia. The local market is our home base, we will deepen its development and fully unleash the market's potential, and explore new growth drivers based on our strengthened advantages. We will also seize the opportunities in RMB internationalisation and cross-border business arising in our key market of the Greater Bay Area. In addition, we will deploy our Southeast Asian network to tap market potential, and continuously improve our regional development capability.

At the same time, we will enhance our core development capability of regional management, digital empowerment, and integrated service provision. We will also vigorously strengthen the strategic support of corporate culture, talent development, smart operations as well as comprehensive risk control and management, so as to pursue sustainable and high-quality (ESG) development.

In 2021, empowered by the long-standing support of all sectors of Hong Kong society as well as the diligent work of our entire staff, we are confident that we will be able to sustain market-leading performance in our core business, maintain sound and stable financial and risk indicators, and deepen our ESG development. Pursuing our mission of bridging China and the world for the common good, we will strive to contribute to the stability and prosperity of Hong Kong's economic and social development, and create value for all stakeholders.

Part 2: Question and answer session of analyst briefing

Gary Lam from HSBC: With the significant change to the macro-environment in the past year, what are the development targets for BOCHK's senior management in the next three to five years, how will the strategic priorities be managed? What is the development order for the Hong Kong, Greater Bay Area, Southeast Asian and other regional markets?

Chief Executive Sun Yu: Since listing in 2002, BOCHK has made great business progress and expanded total asset size by 3.5 times, and profit after tax by 3.2 times, while delivering a total shareholder return of 670%. In the past few years, BOCHK delivered good operating performances, consolidated its traditional advantages and built new competitiveness. Overall we outperformed the market in core business and profitability, and maintained stable risk indicators with solid progress in driving our regional management at the current stage.

Meanwhile we also clearly see room for further improvement in various areas, such as our customer structure, product mix, income composition, customer service and regional management capability. Our implementation of digital strategy remains in early stage. Therefore we will endevour to enhance ourselves in those areas in the future.

Currently BOCHK is formulating its future strategy. With respect to our operating environment and competition, after experiencing an extraordinary year of 2020, we continue to face uncertainties in 2021 including the progress of pandemic control and economic recovery, the potential impact from the adjustment of accommodative monetary and fiscal policies around the world, as well as the cross-sector competition. Overall speaking the operating environment is still undergoing changes. At the same time BOCHK needs to align its development strategy with that of its parent bank. In addition to that, considering our successful track record in strategic implementation over the past few years, we will continue to pursue continuity and stability in strategic development in the future.

Going forward our strategic directions can be summarised as "pursue one concept, focus on three markets, enhance three capabilities and strengthen four structural supports".

Firstly, we will embrace ESG concept in our strategic decision-making and business procedures while concentrating on execution. We have made concrete plans for the related governance mechanism, management policies, development targets and measures. We hope to deepen our ESG push, and facilitate our customers and ourselves to develop into environment friendly enterprises.

Secondly, we will focus on the three markets of Hong Kong, Greater Bay Area and Southeast Asia.

Deeply rooted in Hong Kong for more than a century, BOCHK sees it as the core market, which also has a mature and highly competitive banking sector, though we still see room for further expansion.

We see promising prospects in the Greater Bay Area market, where BOC Group owns notable advantages in customer base, products, servicing capability, asset scale and brand. Meanwhile we also have earned abundant experience from mutual access scheme which will enable us to capture the Greater Bay Area business opportunities in a more effective manner.

We will strengthen the layout in Southeast Asian market. In the past few years, our focuses were placed on building foundation, improving management structure and model, and enhancing the risk management of our Southeast Asian business. In the future we will devise a well-defined, country-specific strategy for each branch based on their country's circumstances. We will further cement the management foundation of our Southeast Asian entities and gradually realise the potential of the Southeast Asian market.

In terms of business priorities, we have not set any hard targets for business contribution proportions. We will form a sound business layout based on our capabilities, market environment and customers' needs, with a view to pursuing good performances across the three markets.

Thirdly, we will enhance capabilities in regional management, digitalisation and integrated service provision.

BOCHK has been transforming from a local bank into a regional bank, which requires a transition for both the headquarters and the operating entities. We have made solid progress in our regional management in the past few years, and will continue to strengthen it in the future.

We will deepen digital empowerment by enhancing our products, services, risk management and operations.

BOCHK has been providing integrated services through its diversified business platform of asset management, life insurance and custody, etc.. In the future we will clearly define the scope of their business developments, and expand the scale and improve the quality of our core business with a view to enhancing our role as a solution provider and offering better services to customers.

Fourthly, we will consolidate the structural supports including corporate culture, talented staff force, smart operations as well as risk control and management. Methodologies and values are essential in building a strong fundamental, based on which we will continue to cement our foundation and achieve our development goals.

Tian Yafei from Citi: As reported in the results, BOCHK had 120,000 customers in the Greater Bay Area. What kinds of products and services were they related to? Separately, regarding capital management and dividend policy, will BOCHK consider increasing the payout ratio after the pandemic comes under control given its relatively high CET1 capital ratio?

DCE Kung Yeung Ann Chi: Those 120,000 customers were registered under the Greater Bay Area Account Opening service ("GBA Account Opening Service"), which drew warm market response since launch. Although the pandemic situation impacted the business development to some extent, we recorded a 40% growth in the GBA accounts on the back of the development of interconnectivity and resilient demand for that service. In 2020 we continued to develop new functionalities for GBA Account Opening Service, such as registration by using Hong

Kong mobile number, and setting standing instruction for funds remittance. We also added P2P cross-border funds transfer and payment services in our BOC Pay so as to satisfy the cross-border service demand.

The announcements of the *Opinions Concerning Financial Support for the Establishment of the Guangdong-Hong Kong-Macao Greater Bay Area in May 2020*, and the *Implementation Plan for the Comprehensive Reform of the Pilot Demonstration Zone for Building Socialism with Chinese Characteristics (2020-2025)* in October 2020, will bring opportunities for local banking sector in the areas of free flow of cross-border elements, financial market interconnectivity and the development of diversified finance. BOCHK will continue to invest in resources to support the relevant business development and fulfil customers' needs.

Chief Financial Officer Sui Yang: Currently we remained well capitalised with CET1 ratio standing at 17.75% and total capital ratio at over 22%. Our solid capital base can support our strategic resource deployment and enable us to capture potential business opportunities amid economic recovery.

Regarding our dividend policy, in particular when deciding on our dividend payout, we needed to respond to the regulatory request of retaining enough capital to support local economic development while prudently preventing potential risks. After taking serious consideration and balancing a number of factors including shareholder interests, the Board has recommended a dividend payout ratio of 49.6%, which was higher than the average level of the past five years though it was 0.9

percentage point lower than that of 2019. As to our future dividend policy, we will take into account various factors such as shareholders' expectation, external operating environment, risk changes, our profitability and long-term development, and the increasing regulatory requirements as well as regulatory advice. We will earnestly manage our capital plans, and determine a suitable level of dividend payout. Currently we have no intention to change our dividend payout guidance which stands at the range of 40% to 60%.

Gurpreet Singh Sahi from Goldman Sachs: Over medium to long-term, what role can BOCHK play in the Greater Bay Area development? Among wealth management, deposits and loans, which products will have stronger growth potential? Separately, as interest rates in the Hong Kong market remain low, have you seen loan demand increase especially from corporate customers? Do you expect loan growth in 2021 to be higher than that of 2020?

Chief Executive Sun Yu: The Greater Bay Area market offers bright prospects. BOC, our parent bank, and BOCHK have established solid layout in the Greater Bay Area including branch networks, customer base, service capability and service track record, which enable us to capture future opportunities in the market. Going forward we will focus on livelihood finance, supply chain finance, technology finance and cross-border finance, where we see good business potential. We will get fully prepared and proactively seize the opportunities although the actual implementation will depend on policy arrangements and timing.

Deputy Chief Executive Kung Yeung Ann Chi: In corporate business development, loan lending and service provision to IT and innovative enterprises have always been our focus, in particular we see specific potential in the innovative collaboration model between Shenzhen and Hong Kong in the Lok Ma Chau Loop area. In addition, cross-border wealth management is another market focus. In this February, the regulators in Chinese Mainland, Hong Kong and Macau jointly signed the *Memorandum of Understanding on the Launch of the Cross-border Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area*, which marked a significant step towards service launch. In the next step, it is expected that detailed implementation rules will be announced while policies concerning investor protection will also be clarified. Considering that the addressable market of the Greater Bay Area is ten times larger than Hong Kong's, it will certainly provide massive room for business development such as investment and asset management.

Deputy Chief Executive Wang Bing: In 2020, the global economy suffered serious impact from the pandemic which posed great challenges to banks. By leveraging our solid customer base, professional service capabilities and diversified business presence, we grew customer loans by 7.3%, outpacing the market growth by 6.1 percentage point while our local market share increased by 0.79 percentage point to 13.76%. Our loan growth was broad-based and steady across different regions with loans for use in Hong Kong and loans for use outside Hong Kong outperforming the market. Our Southeast Asian entities overcame the pandemic impact and grew customer loans by 7.4%. Our new corporate loan demand mainly came from quality, large sized local and Mainland corporates, who have long-standing relationship with us and are generally more resilient to risk. We also maintained our leading position in residential mortgage loan business. Overall loan quality remained solid. Our confidence in future development has been solidified by the favourable loan growth amid a tough environment.

In 2021, as vaccination becomes more widespread and the effectiveness of the global pandemic control improves, the economy will gradually recover. Based on IMF's latest forecast, the global economy will grow by 5.5% this year while Chinese Mainland's GDP growth is expected to reach 6% or above, underpinned by its effective pandemic control. In Hong Kong, the countercyclical measures under the new fiscal budget plan will accelerate the local economic recovery. Asia Pacific region has been increasingly important in its economic status, and IMF forecasts a 5.2% growth in the five major ASEAN economies including Indonesia, Malaysia, Thailand, Vietnam and the Philippines. In conclusion, we believe the external environment will gradually improve in 2021.

As always, we will capture the business opportunities arising from our major markets of Hong Kong, cross-border, and Southeast Asia as well as overseas. We will focus on matching customer needs, and dynamically adjust our loan growth in accordance with the market conditions. We are confident in outperforming the market again in the year with a mid to high-single digit loan growth target, while balancing among scale, quality and integrated earnings. In addition, we will proactively capture the future growth trend and vigorously expand into new industry fields to tap new business potential.

Firstly, we will widen industry coverage and explore into emerging sectors. Based on our solid customer base, we will further deepen our customer relationship and closely follow the industries that will benefit from national strategies in the 14th Five-Year Plan. We will continuously step up research and development efforts, enhance our capability and focus on emerging industries such as new infrastructures, digital economies, life science & healthcare, and new material production, in particular on those leading players or rising stars in the fields. At the same time, we will further deepen our collaboration with BOC branches in Chinese Mainland. For instance, cross-border loans accounted for about half of our corporate loan portfolio, within which about half was made under the cooperation with BOC's Guangdong Branch and Shenzhen Branch in the Greater Bay Area. In the future we will increase our support to quality corporates in the emerging strategic industries and foster loan growth through collaborative efforts.

Secondly, we will promote synergistic development to capture new business opportunities arising from the steady economic growth in Asia Pacific. As a regional bank, BOCHK will continue to strengthen integrated operations and guidance to its Southeast Asian entities. We will improve their credit policies based on the operational changes of key industries and key customers, to drive the steady and relatively fast loan growth of them. At the same time, acting as the coordinating bank of the "Regional Synergy and Coordination Mechanism in APAC" under BOC Group, we will increase collaboration with major BOC branches in the Asia Pacific region such as Singapore, Sydney, Tokyo and Seoul, jointly foster the development of syndicated loan business, and capture opportunities in M&A and structural financing businesses to pursue high quality loan growth in overseas markets together.

Thirdly, we will further leverage our leadership in the RMB business to take advantage of RMB internationalisation. We will consolidate and further utilise our offshore RMB business franchise to capture the opportunities in capital account opening by offering differentiated service solutions and meeting the diversified offshore RMB financing needs of our customers, so as to propel steady growth in RMB loans.

Since the beginning of the first quarter, we have witnessed healthy loan growth, and are confident in outperforming the market for the full year.

Jemmy Huang from JP Morgan: What is the margin outlook for this year? What areas can be improved to enhance NIM? Besides that BOCHK's asset quality has been better than its peers. With credit cost staying at a relatively low level and relatively stable trends between first half and second half of 2020, what is the outlook for asset quality in 2021, and will credit cost decline? Also, loans under moratorium accounted for 5% of the Group's loan book at the end of June 2020, what was the size at the end of 2020?

Chief Financial Officer Sui Yang: Adjusted for swap related impact, our net interest margin for the fourth quarter of 2020 was 1.16%, down by 1 basis point comparing to the third quarter. Due to the impact of IPO activities in the second half of last year, HIBOR displayed short-term volatility, and led to fluctuation in our net interest margin performance on a monthly basis though margin trends were relatively stable on a quarterly basis. Looking into 2021, it is expected that the Federal Reserve will keep interest rates low in order to support economic recovery and employment. The aggregate balances of Hong Kong Dollar in the interbank market is expected to remain high, and 1-month HIBOR might follow LIBOR to stay at a low level, though the short-end Hong Kong dollar interest rates will still be subject to volatility, due to the influence of IPO activities and quarter-end book closing. While onshore RMB liquidity is expected to remain moderately loose, however offshore RMB interest rates may fluctuate. Overall, it is expected that market interest rates will not rebound sharply soon and will remain at relatively low levels in 2021.

In light of the low interest rate environment, on one hand we will increase the proportion of high-yielding assets and improve loan yields. In 2020 we were able to deliver over 7% loan growth while ensuring our asset quality despite a tough environment. This gives us confidence to maintain a mid to high-single digit loan growth in 2021. On the other hand, we will continue to proactively manage funding costs. Our CASA deposits grew by 31.8% in 2020, while our time deposits shrank by about HK$180 billion, reflecting our endeavors and capability in managing deposit pricing, tenor lengths and structure. Meanwhile, we will also seek to capture the opportunities and deploy more resources in higher yielding RMB assets. If the market interest rates recover sooner than expected, we are confident that we can capitalise on it and improve margins and income.

Chief Risk Officer Jiang Xin: BOCHK's asset quality has been relatively stable with non-performing loan ratio standing at 0.27% at the end of 2020. The credit cost for the year of 2020 was 0.16% while the annualised credit cost for the second half was 0.15%, down 3 basis points half-on-half. The overall trend of our asset quality and credit cost remained positive.

Currently economic recovery around the world remains uneven and unstable due to the recurrence of Covid-19 pandemic. However, the relief measures launched by the HKSAR Government will offer great help on easing corporate difficulties, while positive fiscal and monetary policies adopted by major countries will also provide support to economic recovery. Overall, we are confident in maintaining our non-performing loan ratio at a better level compared with the market, and sustaining reasonable credit cost and sufficient provisions.

As at the end of 2020, loans under moratorium accounted for 4% of the Group's loan book. Since the beginning of this year, the relevant loan balances continued to decrease and stood at 1.6% of our total loans as of the end of February this year.