Transcript of Analyst Briefing for
2020 Interim Results

Part 1: 2020 Interim results presentation

Chief Risk Officer Zhuo Chengwen

Good afternoon, ladies and gentlemen. Thank you for joining us. I will start off with our strategic overview for the first half of 2020.

Over the past months, the city has witnessed the spread of Covid-19, a global economic downturn, the increasing geopolitical tensions and financial market volatility. Hong Kong's economy is experiencing a slowdown with the unemployment rate reaching a 15-year high.

In this challenging operating environment, we adhered to our strategic goal of "building a top-class, full-service and internationalised regional bank", proactively tackled these challenges and maintained a stable operation. Our core businesses continued to outperform the market and risk management was further strengthened.

In the first half, our net operating income before impairment allowances was HK$28.7 billion, down slightly by 1.5% year-on-year. Profit for the period was HK$16.2 billion, declining 11.6%, mainly due to an increase in the loan impairment allowances and a reduction in fair value adjustments on investment properties.

Our key financial indicators remained solid, with ROE and total capital ratio standing at 10.43% and 23.11% respectively. Having taken into account the macroeconomic and operating environment, regulatory advice and the Group's financial performance, the Board decided to declare an interim dividend of HK44.7 cents per share.

We continued to deepen our commitment to the local market, and contributed to Hong Kong's economic revival while realising steady business development.

The structure of our personal customer base was continuously optimised. The number of mid-to-high-end customers grew by 15.5% and the total AUM of private banking customers went up by 4.6%. We led the new residential mortgage loans market with a market share of 24.6%. The new business value of BOC Life grew by 8.8% year-on-year. During the first quarter, its market ranking in terms of standard new premium climbed to the third place from the fifth.

Our corporate banking segment achieved solid growth. We maintained our position as the top syndicated loans arranger in the Hong Kong and Macao region, as well as the top IPO receiving bank in Hong Kong. We also completed a number of influential bond underwriting projects, and became one of the major local bond underwriters. Moreover, we continued to lead the market in the cross-border cash pooling business with our cash management solutions tailor-made for our customers. Capturing the opportunities from the mutual market access policies, assets under custody from institutional and corporate customers reached a new high. We also led the market in terms of the number of Bond Connect customers.

Our leading position in RMB business was further consolidated. During the first half, offshore RMB clearing volume handled by BOCHK grew 8.1% to RMB 140 trillion, accounting for 70% of total global offshore RMB clearing volume. We captured the opportunities in financial markets and proactively promoted the online trading platforms, realising a rapid growth in online trading volume. Despite an adverse market environment, BOCHK Asset Management achieved a 15% growth in its AUM from the end of last year. Its new fund products reported strong sales and its major stock portfolios outperformed the market.

We made good progress in expanding our presence in Southeast Asia as we received preliminary approval from local regulatory authority to set up our Yangon Branch in Myanmar. Meanwhile, Jakarta Branch has become one of the mainstream foreign banks in Indonesia after it received approval to upgrade its status. This greatly improved the Group's market position and brand influence in the country.

We leveraged our advantages in RMB business. BOC Malaysia was successfully reappointed as the local RMB clearing bank. Our Phnom Penh Branch became the first overseas bank to be appointed as a quoting and trading bank for RMB to Cambodian Riel in the regional market, and successfully processed the first transaction.

Giving full play to the synergies generated from our regional network while exercising risk control, we worked to expand our customer base and undertake major projects. We proactively arranged syndicated loans for large local corporates, and offered comprehensive financial solutions including cash management service. Meanwhile, we enriched our personal banking services in the region with the use of digital technology.

Amid a difficult market, our Southeast Asian entities experienced a decline in revenue. However, our businesses showed a steady growth. Customer deposits went up 6.7% from last year to HK$60.4 billion while customer loans grew 6% to HK$53.4 billion. The non-performing loan (NPL) ratio was 1.94% due to the impact of certain customers. The overall asset quality remained sound.

Despite slower cross-border flows amid the pandemic, we continued to sharpen our integrated competitive strengths and dedicate our efforts to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area by optimising our cross-border products and services and promoting intra-group collaboration.

With the use of digital technology, we continued to enhance our mainland personal account attestation service by supporting digital application. As of the end of June, the total number of applicants exceeded 100,000. Earlier this year, our GBA mortgage service was launched to facilitate property purchase for Hong Kong residents in the Greater Bay Area. In addition, BoC Pay was upgraded with a cross-border remittance function for mainland customers living in Hong Kong. Meanwhile, we strengthened collaboration with our parent bank in an effort to build an integrated marketing and service system, and to support the development of tech enterprises. It resulted in a growth of about 9% in financing to these enterprises.

In mid-May, authorities of Chinese Mainland published the “Opinions on Financial Support for the Construction of the Greater Bay Area”. By the end of June, the authorities from Chinese Mainland, Hong Kong and Macao jointly announced the launch of the “Wealth Management Connect” pilot scheme. The launch is of major significance and will bring enormous opportunities to the banking industry.

Engaged in expanding our fintech application, we accelerated our digital transformation by focusing on the key capabilities of innovation, agility, digitisation, mobility, and regionalisation.

We expanded our e-payment and collection services to transportation, retail and catering industries, and supermarkets. BoC Bill now covers a wide range of industries closely related to people’s daily lives. This has laid a solid foundation for contactless payment. The number of BoC Pay customers increased by 44% from the end of last year, with total transaction volume growing by 44% as compared to the full year of 2019.

We adhered to our "mobile first" strategy, and continued to enhance our digital channels, such as upgrading the Mortgage Expert mobile app, enriching the investment and wealth management features on Mobile banking, and launching remote insurance enrolment services. During the first half, the number of Mobile Banking active users increased by 23%, while Mobile Banking transaction volume recorded a rapid growth of 66%. Meanwhile, our Intelligent Global Transaction Banking Platform (iGTB) was enriched to ensure easy access to financial services for corporate customers.

We pushed for smart operations and intelligent transformation. Blockchain technology has been adopted in nearly 95% of our total property valuations. Our mobile account opening service has been extended to 10 overseas countries and regions. We also introduced intelligent risk management and optimised our smart customer service to continuously enhance our operating efficiency.

Meanwhile, we pushed forward digital transformation by establishing an innovation mechanism, organisational structure and corporate culture to attract and nurture innovative fintech talents.

Furthermore, Livi Bank opened its virtual doors to customers on 12 August. It is a virtual bank joint venture started by the Group, JD Digits and Jardine Matheson. Livi will focus on providing Hong Kong consumers with a virtual banking experience that is easy, secure and refreshing.

Deeply rooted in Hong Kong for more than a century serving a wide range of industries, we have been actively fulfilling our social responsibilities by navigating this difficult time with local communities in face of the pandemic.

In early February, we took the lead in introducing five financial support initiatives that provided timely relief to both SME and individual customers during the economic slowdown. The scope of these initiatives was then further broadened to better serve customers' needs as the situation evolved. As at the end of June, 3,500 applications were approved. Meanwhile, we supported and worked in coordination with the HKSAR Government on the “Special 100% Loan Guarantee Scheme”, and granted nearly HK$6 billion loans to applicants, accounting for about one-third of market share. Full support was offered to the HKMA's "Pre-approved Principal Payment Holiday Scheme", and total 1,100 applications were received, which provides customers with timely relief.

In addition, we offered full support to the HKSAR Government's Employment Support Scheme and Cash Payout Scheme. As part of our efforts in supporting the community against the pandemic, we donated HK$15 million to support frontline healthcare workers and vulnerable communities in Hong Kong. Our Southeast Asian entities also contributed to the fight against the pandemic by helping those in need.

We have taken a people-oriented approach and have always put the health and safety of our staff first. In addition to ensuring protective supplies, a series of employee-friendly measures were also introduced, including split team and shift arrangements. We were also among the first in the banking industry to announce no layoffs and no pay freezes in order to navigate this difficult time with our employees.

Chief Financial Officer Sui Yang

During the first half, we actively responded and adapted to a complex business environment, and endeavoured to deliver stable growth in major businesses.

As at the end of June, our customer deposits were up 6.5% from the end of last year to HK$2.14 trillion. The market share was further expanded by 0.6 percentage points to 15.16%.

We continuously strengthened our mid- to high-end customer base. The deposit structure was further improved as a result of the growth in various services, such as the payroll and e-payment, IPO proceeds receiving, cash management, cash pooling and settlement. Our current and savings account deposits increased by 16.5%, accounting for 60.2% of total deposits, up 5.1 percentage points from the end of last year.

Customer loans reached HK$1.5 trillion, up 7.7% from the end of last year. Our market share increased by 0.59 percentage points to 13.56% with various loan categories delivering solid growth.

We strived to meet the financing needs of high-quality corporate customers, and accelerated the digitalisation of our mortgage loan business. As a result, loans for use in Hong Kong grew by 7.4% or HK$68.4 billion. Through expanding our business in Southeast Asia and leveraging the advantages in syndicated loan businesses, we achieved a growth of 8.4%, or HK$33.1 billion in loans for use outside Hong Kong. Seeking to meet our customers' needs, we achieved a growth of 8.3% in trade financing.

In the first half of the year, net interest margin narrowed due to the falling market interest rates and the relatively shorter loan repricing periods than those of deposits. Net interest margin was down 19 basis points to 1.50% after adjustment of swap-related impact, while net interest income dropped by 6.1% year-on-year.

We took a proactive approach to managing our assets and liabilities in response to challenges in the market environment by expanding our loan portfolio, optimising our asset structure and lowering funding costs.

Average interest-earning assets expanded by 5.2% year-on-year, which partially mitigated the negative impact of declining interest rates.

As a result of the pandemic-induced slowdown of commercial activities, net fee and commission income fell by about HK$0.6 billion or 10.1% year-on-year. Among which, commission income from credit card business, insurance and loans fell by 43%, 39% and 14% respectively. However, commission income from securities brokerage increased by 43% thanks to increased transaction volumes in the stock market. Commission income from payment services was up 5.6% as a result of our leading market position in the cash pooling business and outstanding cash management services.

Compared to the second half of 2019, net fee and commission income increased by 11.5%.

While ensuring resources for key strategic development in such areas as human resources, fintech and regional development, we exercised a stringent control over administrative and business expenses.

During the first half, total operating expenses rose slightly by 0.8% to HK$7.59 billion. Cost-to-income ratio was 26.4%, up slightly by 0.59 percentage points year-on-year, staying at a satisfactory level relative to industry peers.

In light of a complex external environment, we further consolidated our capabilities in our persistently prudent risk management. Overall asset quality remained benign. The Group’s classified or impaired loan ratio stayed below the market average at 0.25%, up slightly by 2 basis points from the end of 2019. Provision is sufficient with provision coverage ratio standing at 211%, higher than our major peers.

Annualised credit cost was 0.18% in the first half, up 4 basis points from that of 2019. In view of the growing uncertainty in the macro environment, we adjusted the macroeconomic parameters of the ECL model in a prudent manner, together with the solid loan growth, resulting in an increase in stage 1 impairment allowances.

We maintained a strong capital position and ample liquidity which consolidated our capability of withstanding risks.

The CET 1 and Tier 1 capital ratios increased by 0.76 and 0.62 percentage point from the end of 2019 respectively. The total capital ratio was 23.11%, up 0.22 percentage point.

The average LCR for the first half was 141% while the NSFR as of the end of the second quarter at 117.49%. Both maintained at a sound level.

Chief Risk Officer Zhuo Chengwen

Looking into the second half, a high degree of uncertainty still hovers over the global economy and financial market, the operating environment is expected to remain tough. Industry chain and supply chain cycles are being interrupted with a notable shortage of demand in international investment. Uncertainty and instability grow as geopolitical tensions intensify amid the increasingly complex international environment. For the first time in recorded history, Hong Kong’s economy is expected to see negative growth for two consecutive years. Combined with a low interest rate environment worldwide, the banking industry is faced with various challenges and growing operating risks.

On a positive note, the Chinese Mainland took the lead in economic recovery, in line with its long-term and steady growth in its economic development. The long-term growth momentum of emerging markets in the Asia-Pacific region remains strong. The new Greater Bay Area policies further expand the potential for cross-border financial services. In addition, Hong Kong will continue to play the role of "Super Connector" between the Chinese Mainland and the ASEAN region, two of the world’s fastest growing economies.

On the management side, ensuring a steady and sustainable operation will be our over-riding focus in view of a challenging operating environment. We will closely monitor the market situation, step up our control measures against the pandemic, and strengthen risk control.

We will remain committed to the Hong Kong market by supporting various enterprises and major projects and seeking new business opportunities, while strengthening service capabilities through fintech innovation.

We will further refine our regional network in Southeast Asia and speed up the establishment of Myanmar Branch. In addition, we will seek to give full play to our regional synergies and achieve business growths by leveraging our competitive strengths.

We will seize the opportunities arising from the financial opening up in the Greater Bay Area and fully prepare for the upcoming “Wealth Management Connect”. We will strive to become the first-choice bank for customers in the area by further enhancing our financial services such as account opening and digital payment, and supporting the development of tech enterprises.

With a focus on such contexts as cross-border transaction, public service, charity, education, wealth management and property transaction, we will accelerate our digital transformation by refining the financial ecosystem that is driven by digitalisation.

Meanwhile, in an effort to promote green and sustainable development, we will focus on enhancing our implementation capability and optimising our corporate governance mechanism by integrating ESG framework into our overall strategy.

With the great support from our communities as well as hard work from our colleagues, we will strive to achieve a solid performance in our major businesses amid the challenging operating environment. We will seek to maintain our financial and risk indicators at a sound level, to ensure greater flexibility in meeting our development needs as well as responding to market changes. We will also contribute to the long-term economic and social prosperity and stability in Hong Kong.

Part 2: Question and answer session of analyst briefing

Tian Yafei from Citi: What was the level of net interest margin for June 2020 as your margin was 1.39% in the second quarter. In addition, the asset quality in the first half was very good, and substantially better than expected. However I noticed that your stage 2 loans grew much slower and its proportion in total loans was also much lower compared with your peers. What were the reasons?

Chief Financial Officer Sui Yang: The margin decline in the second quarter from the first quarter was highly correlated to the movements of market interest rates in the period which fell by about 80 basis points in terms of 1-month HIBOR and 105 basis points for 1-month LIBOR. In July and August, the 1-month HIBOR and 1-month LIBOR stood at the levels of 0.2-0.3% and 0.16-0.17% respectively. It means that the 1-month HIBOR dropped a further 70-80 basis points while the 1-month LIBOR came down for more than 10 basis points from the second quarter levels. These factors will continue to weigh on margins. We will build on the successful control of time deposit pricing and tenors in the first half, and keep optimising deposit structure by growing CASA deposits. We will also endeavor to boost asset yields and loan pricing so as to alleviate the negative impact from declining market interest rates.

Chief Risk Officer Zhuo Chengwen: The spread of Covid-19 impacted global economy, adding pressure on the asset quality of banking industry. Thanks to our solid customer base, and comprehensive and effective risk management, our asset quality remained relatively stable in the first half. NPL ratio was 0.25%, up 2 basis points from last year end. The minor increase was mainly due to the change of quality of certain corporate loan outside Hong Kong. Impairment allowances were HK$1.311 billion, up HK$594 million year on year, mainly due to the HK$555 million increase in stage 1 impairment allowances as a result of loan growth, and our prudent approach to updating the economic parameters in our ECL model to reflect economic uncertainty. The annualised credit cost was 0.18%, up 7 basis points year on year, and up 2 basis points compared with the second half of last year. As to the distribution of loans by stages, we are not in the position to comment on our peers but it mainly reflected our customer mix and loan quality. Our provisioning policies are in line with the requirement of prudence and forward-thinking.

Winnie Wu from Bank of America: Congratulations on your solid results with just 2% drop in core income year-on-year amid such a challenging environment, which outperformed your peers. Despite your CET1 ratio rose to 18.5%, your interim dividend payout ratio was reduced to 31% from 33% in the same period of last year, what were the key reasons? Will you be able to maintain the full year dividend payout ratio at the same level as last year? Regarding provision charges, do your assumptions of macro-economic factor (MEF) parameter reflect the latest economic dynamics? In the second half of the year, do you expect provision charges to be driven by MEF parameter adjustments or by the downgrade of customer loans’ credit rating?

Chief Financial Officer Sui Yang: For a long period of time, we have been striving to maintain a balance between shareholders' interest and the bank's long-term development. Since the start of this year, Covid-19 has continued to spread with global economy in downturn. In the face of dual challenges of a low interest rate environment and increased risks, banking industry will endure much stronger operating pressure in the future. In response to regulator's advice on banks to retain capital and funds to safeguard against potential risks while supporting local economy, our Board has taken serious consideration of various factors and determined the interim dividend payout. Regarding the dividends for 2020 and beyond, we will take into account and strike a balance among a wide range of factors including shareholder expectations, external operating environment and change in risks, the bank's profitability and its long-term development, as well as the regulator's advice, so as to make a suitable decision on dividend payout.

Chief Risk Officer Zhuo Chengwen: Currently the Covid-19 pandemic is well under control in the Chinese Mainland, while HKSAR Government has stepped up control on the virus outbreak. Globally the pandemic remains unstable, which will inflict sustained impact on the economic recovery. Some industries such as tourism, transport, food & beverage and retail are still facing great challenges. In spite of that, we remain confident in maintaining our NPL ratio at a better level relative to the market. We will base on our internal forecasts and take into account the views of external professional agencies when we update our MEF parameters including GDP, unemployment rate, property price, etc.. Some of these parameters may improve alongside with the pandemic situation while pressures still exist in certain regions. Due to the unstable development of the pandemic and the uncertain economic recovery, our provision charges will be subject to upward pressure in the second half. Overall speaking sufficient provisions will safeguard our business against risks.

Gurpreet Singh Sahi from Goldman Sachs: Your operating expenses were under very good control in the first half amid revenue headwinds. What is your cost-to-income ratio guidance for this year and for medium-to-long term? Given your strong loan growth in the period, do you expect to maintain an above-market growth rate in the future?

Chief Financial Officer Sui Yang: Our operating expenses were well managed in the first half. We ensured necessary investments in human resources, fintech and regional developments while making savings in general business expenses, such as advertising, promotion, etc.. Meanwhile we also strengthened centralised operations and integrated internal resources to reduce expenses such as printing cost, etc.. Looking forward, we maintain cost-to-income ratio targets unchanged at about 30% for the near term, and not exceeding 35% for the medium-to-long term.

Deputy Chief Executive Wang Bing: Since early this year, the Covid-19 pandemic and China-U.S trade conflicts have weighed on the global economy. Despite the challenges of increased risks and uncertainties in the external environment, Hong Kong market has demonstrated good resilience supported by its depth. System loans steadily increased at 3%. During the same period, our loan book expanded by 7.7%, outpacing the system's by 4.7 percentage points with market share up 0.59 percentage point to 13.56%. Our loan growth mainly came from high-quality group customers who have strong credit ratings, long-standing and good relationship with us. Overall asset quality remains sound with manageable risks.

In the second half, we believe that with the stabiliation of the pandemic situation, the fiscal and monetary policies of various countries will start to effect. In the Chinese Mainland, the overall economic growth trend remains positive as it led the world in recovery with 3.2% GDP growth in the second quarter and other major economic indicators improving. In the U.S, the daily new confirmed cases of Covid-19 and the number of initial jobless claims have peaked off. In the Eurozone, major economic indicators such as manufacturing and service PMIs also bottomed out in June. In Hong Kong, despite the virus outbreak is still fluctuating, the situation is improving as the HKSAR Government has imposed stronger prevention measures recently. Overall speaking the global economy will gradually recover.

With our solid customer base, diversified business presences, seasoned and strong service team, we are confident in achieving the mid-to-high single digit loan growth target set early this year, and continuing market outperformance for both 2020 and medium-to-long term. Our self-confidence is premised on our diversified growth opportunities from three key markets.

We will further cement our solid performance in the Hong Kong market. Our robust loan growth in the first half of the year was attributed to the performance of our core market, where we are self-assured in capturing businesses of both large and small customers. On one hand we will further consolidate relationships with key customers. On the other hand we will proactively support the relief initiatives for SME by the HKSAR Government and reinforce our cooperation with quality SME customers to navigate this tough time.

We will further expand the cross-border market where we enjoy competitive advantage. The Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei Region including Xiong'An New Area, and Hainan Free Trade Zone are all our key markets. New infrastructure, new technologies, and medicine & health will be our key industry focuses. We will further enhance collaboration with our parent bank and strengthen the relationship with key cross-border customers to make steady progress in cross-border business development.

We will strive for solid development and unleash the potential of the Southeast Asian and overseas markets. Due to the Covid-19 pandemic and volatile currency movements in the first half, our Southeast Asian entities recorded slower loan growth than last year. Since ASEAN has already overtaken Eurozone as the top trade partner with China, the trade interaction between the two sides will further increase. We continue to see a promising outlook in the Southeast Asia after the pandemic subsides, and will further perform our headquarters function, while pursuing an integrated model with them. We will closely monitor the pandemic development, step up risk prevention and controls, and enhance our guidance and support to our Southeast Asian entities in risk management, striving to achieve solid growth with assured quality. Moreover, we will also further leverage our competitiveness in Asia Pacific's syndication loan business, and capitalise on the increasing opportunities in corporate privatisations and M&A. We will also enhance our capabilities in structured financing and project financing businesses, and exploit more quality loan lending opportunities.

Gary Lam from HSBC: Congratulations on your interim results, which outperformed major peers. In the first half of the year, property investment and manufacturing sectors showed strong growth in your portfolio. Was it a deliberate strategy to increase exposure to those industries or just because of strong demand in the market? What risks do you see in different industries? Also, how do you describe the asset quality of your SME business and Southeast Asian portfolio?

Deputy Chief Executive Wang Bing: We outperformed the market in loan growth in the first half, which was mainly attributed to our core market – Hong Kong, where we have established good relationship with many key corporate group customers for a long time. This underlined our strategy of client selection and positioning. As economic pressure built up this year, some customers needed to enhance liquidity positions, and contributed to our loan growth in specific sectors, which was mainly driven by leading enterprises in Hong Kong and large-sized corporate groups having long-term relationship with us.

Chief Risk Officer Zhuo Chengwen: The spread of Covid-19 has directly impacted economic activities. We have identified six industries that were severely affected including trade, aviation, tourism & hotel, retail, entertainment service and food & beverage. In the first half, total loans of the aforementioned industries were HK$160.6 billion, accounting for 10.68% of the Group's total loans. Of which, large corporates which are mostly the more competitive players in their industries, accounted for 91.4% while the remaining 8.6% was for SME. Overall risks are under control. For the above six industries, special mention loan (SML) balances and SML ratio were HK$1.365 billion, and 0.85% respectively. NPL balances and NPL ratio were HK$836 million and 0.52% respectively. The NPL coverage reached 160%. As to these loans, we have already taken relevant risk control measures while some of the customers involved are able to benefit from the HKSAR Government's relief measures. Overall speaking we do not see notable overdue loan issue at the moment and we are fully confident in their loan quality. Next step we will continuously exercise risk controls, timely assess the lagging impact on the asset quality from macro-environment and dynamically respond with countermeasures.

Based on the local regulatory standard, the NPL ratio of our Southeast Asian entities was 1.94% at the end of June, up 43 basis points from last year end. It was mainly due to the downgrade of a corporate loan in the aviation industry to non-performing. We do not see any systematic risk at the moment.

In the face of a challenging macro-environment, we will closely assess the potential impact of various negative factors, enhance checks on customers' operating status and financial strength recovery, and adopt risk mitigation measures such as demanding higher value of collateral assets or guarantee, to prevent potential risks.

Jemmy Huang from JP Morgan: What is the total balances of the loans involved in your loan moratorium programme? Is the repayment ability of those customers within your expectation? On dividend policy, can you maintain the guidance of 40-60% dividend payout ratio this year?

Deputy Chief Executive Wang Bing: We have always been seeing SME customers as our most valuable partners. In early February, the initial period of the outbreak, we took the lead in the market to launch five financial relief measures. At the same time, we echoed the HKSAR's initiative of "Special 100% Loan Guarantee Scheme", and fully supported HKMA's "Pre-approved Principal Payment Holiday Scheme" as well as a new round of extended repayment arrangement for trade finance, so as to ease the financial burden and short-term liquidity difficulties of corporate customers together with the industry.

As of end of June, we had received more than 18,300 enquires and approved more than 3,500 applications, which involved 1,500 corporate customers and 1,700 personal customers. In addition, we also received a total of 1,100 applications under the HKMA's "Pre-approved Principal Payment Holiday Scheme". The total loans of aforesaid customers under moratorium accounted for 5.5% of the Group's loan book. Moreover, since launch of the initiative, we have already completed applications for more than 4,000 corporates under the "Special 100% Loan Guarantee Scheme", with total loans of HK$7.0 billion, accounting for one third in terms of market share.

The asset quality of the loans involved in relief measures remains healthy. We will base on the pandemic development and enhance our interaction with customers and strengthen risk check using methods such as name list and staged monitoring. We will timely adopt relevant control measures to prevent and reduce potential risks. At the same time, we will continue to study different options of financial relief and facilitate economic recovery together with the society.

Chief Financial Officer Sui Yang: Regarding the full year dividend for 2020, we will take into account and strike a balance among a wide range of factors including shareholder return, external economic environment development, the bank's profitability, etc.. In particular if there is any advice from the regulator, it will be our key consideration. We will evaluate based on all these factors and make a suitable decision on the dividend payout.