Transcript of Analyst Briefing for
2023 Interim Results

Results Presentation

Chief Executive Sun Yu: Since early this year, we have continued to face a complex and challenging environment owing to downside risks in the global economy, ongoing geopolitical risks and significant volatility in the US and European financial systems. During the period, BOCHK continued to pursue progress while maintaining stability, upheld its "risk bottom-line" and captured key opportunities from the normalisation of the Mainland and Hong Kong's economies, as well as from the development of the Greater Bay Area (GBA), mutual market access schemes, RMB internationalisation and RCEP. We promoted high-quality development, improved our financial indicators and steadily enhanced shareholders' returns.

Profit after tax was HK$18.1 billion, up 38.7% year-on-year. ROE improved by 2.4 percentage points to 10.8%. Our total capital ratio increased by 1.5 percentage points to 23%. The Board has declared an interim dividend of HK$0.527 per share, up 17.9% year-on-year.

We strengthened our integrated service capabilities to comprehensively meet customers' demands. Cementing our traditional competitive advantages, we maintained the market-leading positions in the residential mortgage, syndicated loan and cash pooling businesses, while enhancing our trust and custody service capability. We strived to expand our edges in cross-border business, and was able to grow the relevant income from personal banking by 2.4 times. We also refined our customer structure. The number of accounts opened by first-time young customers nearly doubled, and the number of Private Wealth customers grew by 10%. We cultivated new growth drivers, and topped Bloomberg's global HKD bonds underwriting rankings for the first time. BOC Life led the market in RMB standard new premiums while its cross-border proportion of total standard new premiums exceeded the pre-pandemic level. We actively supported mutual market access schemes, and realised full coverage in products, services and channels for the Northbound Trading under Swap Connect.

Seizing opportunities from the post-pandemic economic recovery and border reopening, we leveraged intra-group synergies to launch "BOCHK Cross-border GO" for individual customers and tailored financial solutions for corporate customers, so as to accelerate the GBA business development. We continued to lead the market in "Cross-boundary Wealth Management Connect" business both in terms of the total accounts opened and the volume of funds remitted. The cumulative accounts opened under "GBA Account Opening" surged by over 40% from the end of last year, while demand for our "GBA Loan" product for home purchases grew rapidly. We maintained our competitive advantages in mutual market access schemes, such as "Stock Connect", "Bond Connect" and "Swap Connect". We also launched the "Hong Kong-Guangdong Cross Border Motor Insurance" service to support the policy of "Northbound Travel for Hong Kong Vehicles". In addition, we fully supported the growth of innovative tech companies, with the related loans and customer base increasing by 19% and 6% respectively.

We deepened integration in regional operations while promoting the differentiated management model of “one-branch one-policy”, in order to sharpen the competitiveness of our Southeast Asian entities and increase their contribution to the Group. Capitalising on closer economic and trade ties within the Asia Pacific region, and with the focus on Belt and Road, Going Global projects, large regional corporates and RMB business, we leveraged our role as the Group’s regional syndicated loans centre and developed a full range of integrated financial services. We also refined our “Wealth Management” brand in the region and optimised our regional network layout. By leveraging digital innovation and our comprehensive mobile banking functions, we expanded the financial service scenario ecosystems for individual customers.

During the first half, our Southeast Asian entities expanded their deposits and loans by 8.4% and 4.8% respectively, exceeding the Group’s average growth rates. Their net operating income grew by 40.7%, driven by a higher net interest margin (NIM). Non-performing loan (NPL) ratio was 2.44%, down 5bps from the end of last year.

We leveraged our RMB business advantages and drove innovation in the market, thus supporting the development of Hong Kong’s role as an offshore RMB hub. We maintained leading market positions in various RMB businesses such as loans, deposits, trade finance, cross-border cash pooling, mutual market access schemes and insurance. Several of our Southeast Asian entities such as BOC Thailand, were granted direct participating bank status under CIPS, which helped to enhance our clearing capabilities. In support of the mutual market access schemes, we fully implemented the Northbound Trading under Swap Connect and became one of the first listed companies that operate the "HKD-RMB Dual Counter Model". We also successfully completed the trial of digital RMB sandbox and launched several digital RMB experience events.

Adhering to our customer-centric philosophy, we reinforced our technological foundations and delivered a digital transformation driven by scenario ecosystems, big data and AI. We further developed service scenario ecosystems based on customer needs in home purchasing, education and health. The number of registered open API partners reached 427. BoC Pay achieved 10% growth in customer numbers and 24% growth in transaction volume, while BoC Bill grew its settlement volume by 42%. We further optimised our digital channels. The number of active mobile banking users rose by 10%, while registered SME users of BoC Connect increased by 8 times. We advanced our smart operations. Using the data provided by a third-party platform, we simplified the loan approval process. We also scaled up the intensive operations of our Regional Operation Centre in Nanning to enhance operating efficiency. Virtual bank livi saw strong growth in customer loans and now boasts a customer base of over 300,000, with many of its innovative services gaining widespread popularity.

We integrated the concept of green finance and sustainable development into our business and operations, providing diversified low-carbon products and services to meet customers' needs for green transformation. During the first half, we grew our green and sustainable loan balance by 56%, our green bond investments by 59% and the number of ESG funds available for sales by 19%. Serving as joint global coordinator, joint lead manager, joint book runner and custodian, we assisted the HKSAR

Government in issuing a tokenised green bond, the world's first such deal by a government issuer. We also completed the first green RMB reverse repo transaction and took part in the listing of the "BOCHK Greater Bay Area Climate Transition ETF", which is Hong Kong's first ETF to track climate transition in the GBA. In addition, we shared our experience as a regional headquarters to further promote sustainable finance across our Southeast Asian entities.

Chief Financial Officer Liu Chenggang: Since the start of the year, we have strived to capture the opportunities from market interest rate rebound as well as the reopening of Hong Kong's borders, to widen income sources. Meanwhile, due to the enhanced cost control and risk management, our operations have become more efficient and our credit cost has remained stable. As a result, our after-tax profit in the first half grew by 39% year-on-year and 27% half-on-half to reach HK$18.1 billion.

In response to the time deposit migration trend, we expanded our e-payment, e-collection, payroll, cash management and cash pooling businesses, while strengthening customer interaction. Meanwhile we capitalised on the border reopening and vigorously marketed cross-border businesses. We also stepped up digitalisation and green product innovation, and developed our wealth management business so as to expand our sources of low-cost funding. As at the end of June, our customer deposits reached HK$2.46 trillion, up 3.6% from the end of last year, taking our local market share to 15.9%, up 0.46 percentage point. Our average CASA ratio in the first half stood at a relatively good level of 50%.

We further deepened the development of the Hong Kong, GBA, Southeast Asian and other key overseas markets by enhancing intra-group collaboration, cultivating customer demand and strengthening our full-service capabilities. Our customer loans increased by 4.3% to HK$1.72 trillion, with the market share rising by 0.73 percentage point to 15.8%. Among others, loans for use in Hong Kong increased by 6.7%, driven by stable growth in both corporate and individual loans. This effectively offset the impact of a decline in loans for use outside Hong Kong, caused by the negative interest rate spread between Mainland and Hong Kong markets.

Capitalising on the market interest rate rebound, we stepped up our asset-liability management to widen the loan-to-deposit spread, and increase debt investment yields. Adjusted for swap impact, net interest income increased by 42% year-on-year to HK$25 billion in the first half. NIM expanded by 43bps year-on-year to 1.56%. Second quarter NIM was 1.62%, up 12bps from the previous quarter.

Weak investor sentiment and subdued external trade and credit demand continued to weigh on our net fee income, which declined by 9.5% year-on-year to HK$4.9 billion. On the bright side, fee income in our credit card and currency exchange businesses benefitted from the stronger consumption and tourism recovery following the border reopening, driving a rebound in net fee income of 12.5% half-on-half. Within this, non-credit related traditional fee income increased by 19.5% year-on-year and 10% half-on-half.

Focusing on the Group's strategic development priorities, we optimised resource allocation and enhanced our cost efficiency. Our operating expenses increased by 5.9% year-on-year, mainly due to increased investments in human resources and technology. Cost-to-income ratio (CIR) fell by 3.8 percentage points to 25.5%, outperforming local peers.

The high interest rates and orderly winding-down of pandemic relief measures affected certain customers' financial conditions, leading to related loan rating downgrades. At the end of June, our NPL ratio was 0.73%, up 20bps from the end of last year, still remaining stronger than the market average. We firmly upheld the risk "bottom-line", reinforced risk management foundations and enhanced risk mitigation measures so as to maintain solid asset quality and sufficient provisioning. Annualised credit cost in the first half improved by 7bps year-on-year to 0.14%. Total loan impairment allowances accounted for 0.73% of total customer loans, up 3bps from the end of last year. Our capability to withstand potential risks was further enhanced.

We continued to strengthen capital management, enhanced our profitability and sensibly managed the scale of risk-weighted assets (RWA) to utilise capital more efficiently. At the end of June, our CET1 ratio and total capital ratio increased to 19% and 23%, respectively. Liquidity remained abundant, with average LCR and NSFR standing at 189% and 133%, respectively.

Chief Executive Sun Yu: In the second half, worldwide geopolitical tensions will persist while adjustment in the global economic structure will accelerate, potentially generating greater volatility in the financial markets. Meanwhile investor sentiment and import-export trade will remain weak in Hong Kong. All of these will increase the difficulties and complexities for banks to cope with potential risks.

Despite the emerging challenges faced by the Chinese Mainland's economy, its favorable fundamentals will remain unchanged in the long-term. The Chinese government will continue to steadily pursue high-quality development and further deepen the implementation of the national opening-up strategies such as the Belt and Road Initiative (BRI), the development of GBA, RMB internationalisation and mutual market connectivity. These factors, together with the ongoing policy dividends from the RCEP, will allow Hong Kong to maintain its unique position and special advantages as a "super-connector", thereby generating opportunities for the banking sector.

In the second half, we will continue to pursue progress while ensuring stability. Remaining market-oriented and leveraging our distinctive advantages, we will push forward all major tasks to achieve profit growth, business development as well as sound risk control and management.

We will deepen and refine the management of our sustainable development and solidly deliver on our ESG strategy. We will actively diversify income sources and ensure outperformance in deposits and loans through high-quality growth. We will promote business development in the GBA, stimulate new momentum in our Southeast Asian businesses and further enhance our comprehensive services. We will also consolidate the advantages of our RMB businesses while supporting the orderly advances in RMB internationalisation. We will expedite digital transformation to enhance management and operating efficiency. Meanwhile we will step up our comprehensive risk management, reinforce management resilience and effectiveness. We will also steadily develop talent pools and build a robust corporate culture, so as to fortify our long-term fundamental outlook.

In sum, we will strive to achieve solid, sustainable and high-quality growth, serve national development and high-level opening-up and promote the long-term prosperity and stability of Hong Kong, with a view to creating values for our shareholders, customers, employees and different sectors of the society.

Question and Answer Session

Gary Lam from HSBC: As of end of June, BOCHK's CET1 capital ratio and tier 1 capital ratio both reached new high, which were even higher than most GSIBs. What is the management expectation on RWA growth in the second half and next year? If the market demand is muted, will the management consider taking any capital management measures to reduce CET1 capital ratio, for example, one-off dividend payout, how much flexibility in doing so? In addition, the stage 3 impairment allowances notably increased in the second quarter, did it come from Mainland CRE loans, Hong Kong property loans or sectors? Regarding Hong Kong's property market, what is the risk outlook including property development and property investment?

Deputy Chief Executive Xu Haifeng: Since the beginning of 2023, the amid a high interest rate environment, global economic growth has remained slow while effective demand of corporate loans reduced, presenting challenges to banking operations. Leveraging our advantages of a solid customer base, diversified market presence and professional service capability, we achieved a customer loan growth of 4.3% in the first half of the year, outperforming the market. The loan growth was mainly attributed to our proactive efforts in utilising customer resources and service advantages, in particular, we completed syndication loan deals as both arranger and underwriter for large-sized projects of local blue-chip customers, proactively supported the needs of customers' green finance and maintained our market leading position in the personal mortgage loan business. Overall asset quality was better than that of the market.

In the second half, although the external environment will remain complex and keep changing, from the perspective of our own markets, we can see that Chinese Mainland economy's positive long-term fundamental remains unchanged. Especially, the government has launched a series of policies to stimulate domestic demand and promote industry upgrade, we believe the Chinese economy will continue to maintain a positive development momentum. After the border reopening with other places, Hong Kong's labour market has continued to improve and its overall economy has steadily recovered. In addition, the full implementation of RCEP will also further drive the economic and trade cooperation within Asia Pacific region.

We will firmly seize the business opportunities from Hong Kong, cross-border GBA, Southeast Asian and other overseas markets to promote quality loan lending business under the premise of controllable risks. We are confident that our full-year loan growth will continue to outperform the market and will make our best efforts to achieve the mid-single-digit growth target set early this year. Specifically, we will take the following actions: first, in deepening the core market of Hong Kong, we will strengthen cooperation with local blue-chip companies, market leading players and financial institutions. We will provide diversified financing solutions of syndicated loans, trade financing and green loans. At the same time, we will fully support SME development through enriching digital products and enhancing professional service capabilities, to meet the loan demand of high-quality SMEs. Second, in expanding our strongly-positioned markets, we will strengthen the synergy with key BOC branches in the GBA, and closely follow the nation’s policy guidance of modernised industry system, with a focus on the key sectors such as advanced manufacturing and new-energy vehicles, supporting the cross-border investment and financing needs of customers while serving the real-economy. Third, in developing Southeast Asian and potential overseas markets. We will continue to strengthen the drive of BOCHK as the regional headquarters. We will step up our support to the Southeast Asian entities. We will focus on the opportunities from RCEP, BRI and green economies and proactively developed key customers such as regional large-sized multinational corporates and quality “going-global” enterprises. We will promote the steady loan growth of our Southeast Asian entities under the premise of manageable risks. Aside from that, we will continue to collaborate with the key Asia Pacific branches of BOC in Singapore, Sydney, Tokyo and Seoul, to explore the potential of high-quality lending business in overseas markets.

Chief Financial Officer Liu Chenggang: As at end of June, our CET1 and tier 1 capital ratios stood at relatively high levels, up 1.49 and 1.45 percentage points from the end of last year respectively. Amidst the current market environment, retaining high capital ratios will provide stronger assurance for solid banking operations. Our capital position improvements were mainly due to earnings increase and RWA reduction. As of end of June, our RWA dropped by HK$10.3 billion from the end of last year, mainly due to the regulatory reduction of residential mortgage risk-weight from 25% to 15%, which decreased RWA by HK$24 billion. At the same time, our market-outperforming loan growth increased RWA by HK$10.9 billion. In the future, we will prudently manage RWA by reducing high-risk assets and dynamically allocate capital resources, so as to increase our capital returns in terms of RORWA.

ROE is also relevant to this topic. In the first half, our ROE was 10.8%, up 2.44 percentage points year-on-year, which is its first time rising above 10% level since pandemic. Our ROE enhancement was mainly driven by earnings growth. Specifically, our attributable profit to holders of equity and other capital instrument increased by 32.9% while funds for the holders of equity and other capital instrument increased by 2.9%. Overall speaking, going forward enhancing shareholders' returns will mainly rely on expanding the nominator by increasing our earnings capability while managing the denominator by enhancing our capital utilisation efficiency.

Besides that, dividend policy will also be a key concern to investors on capital management. BOCHK has been adopting a solid dividend policy and attached high importance to providing steady long-term dividend returns. This year, supported by our earnings growth, and based on a cautiously optimistic perspective, we increased the interim dividend per share to HK$0.527, up 17.9% year-on-year. For the full year, we will determine our final dividend based on our operating performance in the second half. Overall speaking, the full-year dividend payout ratio will be kept between 40% and 60%. We will consider such factors as regulatory requirements, shareholder expectations, external risk environment and changes in our capital structure, based on which we will prudently evaluate our capital needs and decide on the full-year dividend payout. Our core objective is striving to enhance our earnings while realising continuous increase in dividend payout.

Chief Risk Officer Jiang Xin: In the first half, our net charge of loan impairment allowances was HK$1.225 billion, within which, stage 3 was HK$1.066 billion. Regarding Chinese CRE customers, the relevant total loans as of end of June were HK$93.1 billion, down HK$7 billion from the end of last year, with relevant NPL relatively stable, edging up by HK$40 million to HK$4.46 billion. Considering the continued pressure on the repayment capabilities of existing customers, during the period, we increased the relevant impairment allowances by about HK$1.1 billion based on our stress test results, and therefore the increment of stage 3 impairment allowances mainly came from Chinese CRE customers.

In addition, as regards the asset quality of Hong Kong property-related loans, we sensibly managed our credit exposure to that sector from a loan mix perspective. As of end of June, total property-related corporate loans accounted for about 20% of our total loans, moderately lower than the end of last year. In terms of loan use locations, 75% of them was in Hong Kong, 18% in the Chinese Mainland, about 3% in Southeast Asia, and 4% in other regions. Regarding our Hong Kong property-related loan portfolio, majority of the borrowers are large-sized blue-chip companies who maintain their funding sources and balance sheet in a good and stable condition. Currently the NPL ratio of our Hong Kong property-related loans was 0.13%, remaining at a good level without material default risk.

Gurpreet Singh from Goldman Sachs: In BOCHK's loans for use in Hong Kong, property development loans increased by about HK$25 billion in the first half, what drove the growth? Was it related to Chinese CRE customers?

Deputy Chief Executive Xu Haifeng: The relevant loan growth mainly came from our underwriting of some large-sized local syndicated loans, which will be gradually distributed later. In the first half, our exposure to the Chinese CRE customers had not increased.

Jemmy Huang from JP Morgan: In early this year, the management guided for a relatively stable credit cost for the year of 2023. Given the disappointing property sales performance in the Chinese Mainland market, as well as the risk incidents related to Chinese CRE enterprises, will the management change its credit cost guidance for this year? In the first half, your Southeast Asian entities saw faster earnings growth than the group average, which should be better than the originally prudent expectation, will the management make any change to the Southeast Asian business growth strategy in the next 6-12 months?

Chief Risk Officer Jiang Xin: Our annualised credit cost for the first half was 14 bps, down 1bp compared with the full year of 2022, basically in line with our guidance made in early this year. Recently, we noticed some customers, especially the Chinese CRE customers, experienced difficulties in their business operations and financial management. We are closely monitoring the latest market development and customer conditions, including the recovery progress of the Chinese CRE customers' repayment capabilities. For the full year, our asset quality remains under pressure mainly due to the credit risks stemming from the repayment capability issues of some Chinese CRE customers, therefore we expect our NPL ratio to face upward pressure while our credit cost could also be higher.

Deputy Chief Executive Xu Haifeng: Since early this year, Southeast Asian economies developed steadily with an overall GDP growth of 3.8% in the first quarter. The scope of RCEP cooperation expanded and China-ASEAN bilateral investments increased solidly. However, weak external demand continued to present challenges to their economic growth.

In the first half, we strengthened our integrated operation and differentiated management of "one-branch one-policy" in the Southeast Asian region, cementing the integrated competitiveness of our Southeast Asian entities and enhancing their contribution to the Group. Their customer deposits and loans increased by 8.4% and 4.8%, respectively, above the Group's averages. Driven by margin improvement, their net operating income rose by 40.7%, further increasing the earnings contribution to the Group. Credit risk was well-managed with the NPL ratio improving to 2.44%, down 5bps from the end of 2022. The NPL provision coverage ratio was 124% with sufficient provisions and controllable risks.

Our key strategies for Southeast Asian business development included: first, we continued to optimise our regional business layout and accelerate digital transformation. For example, we pushed forward the relocation work of branches and outlets of the regional entities in Thailand, Indonesia and Vietnam. We promoted the regional e-commerce services on our iGTB platform while optimising our mobile banking functions as well as online payment experience. Second, we deepened regional collaboration and consolidated our advantages in cross-border finance. We provided integrated service solutions to meet customers' needs in regional development. Third, we deepened the development of RMB business. In the first half, the transaction volume of RMB treasury business at the Southeast Asian entities increased by 39% year-on-year. We also continuously improved RMB clearing capability.

In the second half, we will further enhance our in-depth research on the markets, regulations, characteristics and structures of customers in the ASEAN countries. We will implement the differentiated development strategy of "one-branch one-policy", and pursue steady and solid progress in the Southeast Asian business development on the premise of strict risk management.

Hou Dekai from CICC: BOCHK outperformed the market in both loan and deposit growths in the first half. Facing subdued loan demand in the market, what is the development strategy for the second half in terms of business volume growth and pricing? The management has been guiding a CIR below 30%. Given a much better CIR in the first half driven by rapid income growth, can the management provide a specific guidance on the growth of operating expense for the near-term?

Chief Financial Officer Liu Chenggang: Our earnings are basically the result of our scale and NIM. In the first half, our net interest income grew by 42% year-on-year. NIM expanded by 43bps with second quarter NIM improving to 1.62% compared with the first quarter. This was mainly due to firstly, our growths in deposits and loans which outpaced the market by 3.0 and 4.8 percentage points respectively, and secondly the optimisation of structure. During the period, we increased the fund deployment to loans and high-quality debt securities with their average balances accounting for 88% of the average interest earnings assets, up 1.3 percentage points. Thirdly, our funding cost management. Specifically, we timely managed the deposit pricing and tenor structures of our time deposits, and achieved a Hong Kong dollar composite rate of 2.096%, consistently better than the market.

In the next step, we will ensure meeting the target of outperforming the market in terms of loan and deposit growths while optimising our balance sheet structure. We will endeavor to improve CASA ratio, optimise the loan mix, and propel the growth of high-quality assets including loans and highly-graded debt securities. We will reasonably control the length of duration of our debt securities investments so as to capture the earnings benefit from high interest rates as long as possible. Overall speaking, we remain cautiously optimistic on the growth of our net interest income growth and business scale in the second half.

In the first half, our CIR dropped 3.79 percentage points year-on-year to 25.46%, continuing to lead in the local market peers. During the period, our operating expenses grew 5.9% to HK$7.852 billion. However due to faster growth in income, our CIR notably improved. Going forward, we will adopt a flexible cost management strategy and optimise the resource allocation. Priorities will be given to digitalisation, green finance and network transformation. At the same time, we will save operating expenses through low-carbon operations with measures such as green office mode as well as energy conservation and reduction. We strive to achieve a lower full-year CIR compared with last year and continue to outperform local peers, with a long-term ceiling of 35%.

Sam Wong from Jefferies: What's the expense outlook for the second half? The market has been relatively optimistic about the cross-border business after the border reopening. 8 months have passed since the economic reopening, may I ask in what business areas did the management see outperforming and what areas underperforming against expectation?

Chief Financial Officer Liu Chenggang: Since last year, the Fed has significantly increased interest rates, leading to rapid increase in our deposit costs. In the first half, our average deposit costs were 2.61%, up 215bps year-on-year, and 117bps half-on-half, of which the growth rate has moderated on a sequential basis against the year-on-year basis. In the first quarter of 2022, which was the early phase of Fed rate hikes, our deposit costs were only 0.4%. They had increased by more than

200bps year-on-year in the first quarter this year, while the quarter-on-quarter growth in the second quarter had notably moderated. Currently, market expectations for further interest rate hikes by the Fed has substantially reduced. Therefore, room for further rise in deposit costs is rather limited in the following stage. We will continue to properly manage our deposit tenors, propel payroll account growth, and strengthen collaboration between our corporate and personal banking businesses. By doing so, we are confident in further stabilising our CASA deposit base and overall deposit costs.

Deputy Chief Executive Chan Man: With Hong Kong fully reopening the border in the first half, visitor numbers to Hong Kong significantly rebounded. Meanwhile, favourable policies for the GBA were continuously launched by the country. After releasing the "Qianhai's 30 Financial Support Measures" in this February, Shenzhen Municipal Government recently announced 115 detailed measures to facilitate Hong Kong residents and enterprises to live and operate in the Chinese Mainland, as well as to expand the reform and opening-up of the financial industry, widely covering various cross-border aspects such as employment, living, education, medical treatment, retirement, etc.

We proactively seized opportunities in the GBA interconnectivity and focused on the three major personal finance service scenarios concerning daily life of transportation, shopping, and F&B to accelerate the development of our cross-border business.

Currently, BOCHK provides cross-border services at more than 180 branch outlets across Hong Kong with 9 cross-border service centres at major ports of entry and the airport as well as designated cross-border service ambassadors at 35 of our branch outlets, providing services to cross-border customers with full dedication across the bank and our staff.

In the first half, the income of our cross-border personal banking business increased by 2.4 times, accounting for 25% of our personal banking business income, up by more than 1-time year-on-year in terms of contribution proportion from 12.4% for the first half of 2022 and exceeding the level of 19.6% achieved before the pandemic. The number of newly opened cross-border customer account increased by over 4 times year-on-year, nearly 70% higher compared to the same period in 2019 before the pandemic. As at the end of June, the number of personal cross-border customers exceeded the one million mark, while the "GBA Account Opening" services recorded nearly 40% growth in cumulative accounts opened. Other business areas such as BoC Pay, "Cross-boundary Wealth Management", "Bond Connect" and "GBA Loans" all recorded notable development, proving that the cross-border business recovery was broad-based which concerned various aspects of people's daily life.

In the next step, we will continue to capture market opportunities following border reopening, deepen collaboration with BOC Group within the GBA region especially with BOC Guangdong Branch, BOC Shenzhen Branch and BOC Macau Branch, and thoroughly explore potential business opportunities. We will support the implementation of interconnectivity policies within the region such as wealth management, insurance, and payment, to continuously improve the convenience of cross-border financial services for residents in the Chinese Mainland and Hong Kong. We will actively participate in financial service innovation within the GBA such as integrated cash pooling of domestic and foreign currency, blockchain trade financing, and GBA funds, and serve the cross-border financial needs of corporate and institutional customers in the GBA market via multiple channels. We will continuously improve the diversified service model for the full lifecycle of innovative tech enterprises, support the rapid development of the innovative tech industry in the GBA and actively seize business opportunities in the carbon market. By doing so, we aim to consolidate our market position as the "first choice bank for cross-border financial services in the GBA".

Peter Lau from Bloomberg Intelligence: In the second half of this year, what measures will be adopted by the management to stabilise the CASA deposit ratio? What are the major pillars of BOCHK to support its franchise?

Chief Financial Officer Liu Chenggang: As of end of June, our CASA deposit ratio was 47.6%, compared with the market of 44.8%. As the Fed has continued to hike rates, CASA deposits in the local market have been falling, while our CASA deposits outperformed the market in terms of the proportion level and the magnitude of decline. In the second quarter, our CASA deposit ratio showed a moderate decline of 1.3 percentage points from the first quarter. The average CASA deposit ratio in the first half was about 50%. In the next stage, the trends of our CASA deposit ratio will still be determined by the market interest levels. Currently, market expectation on further rate hikes by the Fed has been reduced, and therefore we believe the magnitude of decline of our CASA deposits will also be smaller. In terms of measures, we will continue to optimise our services to stabilise the CASA deposits. Specifically, in corporate banking, we will strengthen our relationship with government entities and strive to win the bidding for funds collection and payment businesses while following the overall government's policy implementation directions to satisfy their demand for deposit services. While further developing our digital payment and cross-border finance businesses, we will optimise our funds collection and payment solutions, and through cash management services, to meet the customer demand for payment services. In personal banking, we will continue to leverage our payroll and payment services, such as BoC Pay, to enhance CASA deposit base. At the same time, we will promote collaboration between our corporate banking and personal banking units to acquire customers in batches and enhance customer penetration. With all of the above measures, we are confident that we can stop the slide and stabilise our CASA deposits as soon as possible.

Chief Executive Sun Yu: As a listed bank under BOC Group, BOCHK's largest advantage is the support from its parent bank, when comparing with other local banks and international banks in Hong Kong. This also offers us unique advantages in the GBA and cross-border markets. When compared with other Chinese banks in Hong Kong, we are the most localised bank with an operating history longer than a century and the largest retail customer base, which give us leading advantages in terms of business scale and development quality. Therefore, going forward we will continue to leverage our strength and advantages, and further develop in the three major markets of Hong Kong, GBA and Southeast Asia. At the same time, we will further cement our development capability and foundation, and ensure smooth implementation of key development strategies of regional management, integrated development and digitalisation, so as to pursue high-quality growth and create better returns for shareholders.