Transcript of Analyst Briefing for

2025 Interim Results

Results Presentation

Chief Executive Sun Yu: In the first half of the year, the banking sector continued to face a challenging operating environment due to highly uncertain global economic and trade situation as well as local market interest rates. BOCHK remained committed to pursuing progress while ensuring stability, aiming to achieve high-quality and steady growth in its operating performance.

During the period, our profit attributable to equity holders rose by 10.5% to HK$22.2bn. ROE increased by 0.53ppt to 12.92%. The Board has declared a second interim dividend of HK$0.29 per share, total DPS for the first half showed a year-on-year growth, amounting to HK$0.58.

We enhanced our service quality and efficiency, further consolidating business advantages in the local market, and maintaining leadership in new mortgage loans, syndicated loans, cash pooling and IPO receiving bank services. By actively identifying customer needs, we achieved growth of 44% in the number of cross-border high-end customers and 35% in new high-end personal banking customers. The number of cash pools increased by 15%, while assets under custody grew by 19%. We doubled the amount of bonds underwritten, facilitated BOC Group’s market leadership in offshore RMB bond underwriting business, and secured a strong position among the leading players in terms Swap Connect business volumes. We were also appointed by the Shanghai Gold Exchange to operate its first

International Board-certified vault in Hong Kong, and became the first offshore clearing member of the Shanghai Clearing House. We further strengthened synergies and performance across our integrated business platform. BOC Life grew its standard new premiums by 30%, ranking second in the market for the first quarter. BOCI-Prudential's AUM increased by 13%. In addition, BOCHK Asset Management participated in the issuance of Asia's first investment-grade government Sukuk ETF, which was successfully listed in Hong Kong.

We seized the opportunities arising from the enhancement and expansion of mutual market access schemes, and maintained our leadership across Stock Connect, Bond Connect, Wealth Management Connect and Swap Connect. We became one of the first banks to participate in Payment Connect, for which we serve as the sole settlement bank. To proactively expand our cross-border financial services and meet market demand, we launched the dual-currency "BOC GO Card", and grew our "BoC Pay+" Mainland transaction volumes by 40% year-on-year. We extended the attestation service of "GBA Account Opening" to all Mainland cities in the Greater Bay Area (GBA), and introduced RMB financing solutions through GBA loans. In addition, the monthly average of new account openings under the "New Capital Investment Entrant Scheme" was almost doubled. We supported Hong Kong's development as an international hub for innovation and technology, as well as the construction of the Northern Metropolis, while assisting the HKSAR Government in issuing infrastructure bonds. Our tech enterprise customer base also continued to grow steadily.

We focused on fostering regional collaboration, further refined our "One Branch One Policy" differentiated management strategy, and offered customers with integrated financial services with global support at any point of contact. We built a cross-border corporate banking brand aimed at "Going Global" enterprises, supported the major "Going Global" projects and cultivated relationships with large corporates in the region. We optimised our "Wealth Management" brand, and expanded payroll services, while accelerating digital transformation and strengthening the trading, settlement and market-making capabilities of our Southeast Asian entities. During the first half, we achieved solid results in the Southeast Asian related businesses with deposits and loans increasing by 10.5% and 8.4% respectively, outpacing the corresponding growth rates of the group. Income increased by 9.3% year-on-year. NPL ratio of our Southeast Asian entities was 2.70%, down 8bps from the end of last year.

We proactively participated in offshore RMB market development and achieved growth of 16% in RMB loans, 90% in the underwriting volume of offshore RMB public bonds, and 47% in RMB fund sales. We further enhanced our clearing capabilities, witnessing steady growth in RMB clearing volumes at BOC Malaysia, the Manila Branch and the Phnom Penh Branch. To support financial service development, we provided policy recommendations and promoted product and service innovation. We acted for the first time as a settlement agent for RMB green bonds issued by the Ministry of Finance, became one of the first banks to participate in HKMA's RMB trade financing liquidity facility, and helped complete the issuance of the world's first Shanghai Free Trade Zone offshore bonds, including acting as a sub-custodian.

We remained a great supporter of the development of Hong Kong's financial infrastructure while deeply refining our services through more advanced smart operations. We fully supported Payment Connect, as well as the HKMA's "Interbank Account Data Sharing" (IADS) and "Credit Data Smart" initiatives. We further enriched the application scenarios of e-

CNY, and completed the Phase 2 sandbox testing of e-HKD Pilot Programme. We also expanded the scale of mBridge, supplying e-CNY and e-HKD liquidity for various financial institutions in the Chinese mainland and Hong Kong. We empowered our business development through digitalisation, growing the number of active mobile banking personal customers by 10% and iGTB corporate mobile banking transaction volumes by 55%. We upgraded the latest version of BOC Pay+, which grew its customer base by 6.5%, while BOC Bill's total settlement volume increased by 13.3%. We promoted intelligent operations and established an AI committee to coordinate AI related scenarios application and risk management. We continued to enhance our digital metrics and talent cultivation, and deployed AI in application development for smart risk control and reg-tech. The scale of our operation centre in Guangxi, Nanning expanded, with increased intensive operation efficiency.

We consistently pursued our ESG ambitions, and enriched our green and low-carbon financial products and services. In the first half, our corporate green and sustainability-linked loans increased by 25%, ESG bond underwriting volume rose by 124%, and banking book ESG bond investments grew by 12%. We assisted the HKSAR Government in publicly issuing green bonds and infrastructure bonds denominated in multiple currencies. We launched the Urban "GreenUp" campaign to support industry action on carbon neutrality. BOC Life became one of the first insurers to sign the "Insurance Industry Climate Charter". We actively fulfilled corporate social responsibilities, carrying out more than 30 charitable projects and over 60 volunteer events. Our efforts were widely recognised by the market with BOCHK receiving various ESG and CSR accolades from renowned institutions and financial publications.

Deputy Chief Executive Xu Haifeng: In the first half, we proactively managed assets and liabilities while effectively controlling funding costs, easing the impact of low interest rates on net interest margin. We captured opportunities arising from the strong capital markets to grow our fee income, prudently controlled expenses and strengthened risk management. As a result, our after-tax profit grew 11.4% year-on-year to HK$22.8bn.

We expanded our high-quality customer base, tapping demand in clearing, custody, treasury and IPO services, and deepening the development of our cross-border, payroll and wealth management businesses, to attract transactional deposits and optimise our deposit mix. Compared with the end of last year, our customer deposits increased by 5.6% to HK$2.88tn. CASA deposits surged by 31.7% with CASA ratio improving by 11.5ppts to 57.9%.

We enhanced intra-group collaboration and capitalised on increased demand for RMB financing, to explore the business opportunities from local blue-chips, multinationals, leading Chinese "Going Global" enterprises, and large Southeast Asian corporates, while consolidating our competitive advantages in mortgage business. As at the end of June, our customer loans reached HK$1.71tn, up 2% year-to-date. Of this, loans for use in Hong Kong increased by 1.7% while loans for use outside Hong Kong rose by 3.5%.

During the first half, we strengthened asset-liability management by dynamically managing our banking book investments, securing low-cost funding sources and enhancing the management of time deposit pricing and tenors. Adjusted for swap impact, our net interest income increased by 0.4% year-on-year to HK$28.9bn, while NIM narrowed by 7bps to 1.54%. Our second quarter NIM was 1.53%, down 2 bps quarter-on-quarter.

The first half of the year witnessed a recovery in capital market sentiment, with robust IPO activity and sustained Southbound fund flows. We captured opportunities to deepen wealth management business development, with cumulative fund sales more than doubling and the number of new securities brokerage customers continuing to rise. Fee income from our investment and insurance businesses grew significantly by 95%, resulting in 25.8% growth in net fee income.

We optimised resource allocation to support the group's development priorities, and maintained stringent cost control to increase utilisation efficiency by pursuing low-carbon operations and refining our branch network layout. Operating expenses increased 2.3% to HK$8.3bn, while our cost-to-income ratio improved 2.2ppts to 20.8%, consistently outperforming the market average.

We reinforced the monitoring and control of high-risk credit portfolios, and conducted timely reviews of customers' internal credit ratings. Overall asset quality remained solid. As at the end of June, our NPL ratio decreased 3bps to 1.02% from the end of last year, continuing to outperform the market average. Due to higher impairment charges resulting from internal rating downgrades of certain accounts and downward revisions in expected future cashflows from existing non-performing customers, annualised credit cost rose by 14bps year-on-year to 0.39%. ECL coverage stood at 0.88% of total loans, sustaining a strong capability to withstand potential risks.

Due to profit growth as well as RWA savings from credit risk and operational risk following the implementation of the new Basel III rules, our total capital ratio and CET1 ratio increased to 25.69% and 23.69%

respectively. Liquidity remained solid in the first half with average LCR and NSFR standing at 208% and 140%, respectively.

Chief Executive Officer Sun Yu: In the second half of the year, trends in interest rates, global trade and geopolitics are expected to remain uncertain, while Hong Kong's economy will continue to undergo cyclical and structural adjustments, putting pressure on banking operations. At the same time, the Chinese mainland is set to meet its annual targets, supported by its solid foundations and stable, progressive economic momentum. The HKSAR Government will actively boost consumption, attract investment and develop diversified markets. Hong Kong's global appeal and competitiveness will increase as it further reinforces its role as a "super-connector" and "super value-adder". In addition, new opportunities are emerging for the local banking industry from the industrial chain optimisation of China's "Going Global" enterprises and the robust development of AI and digital assets.

In the second half, we will continue to leverage our strategic function in support of the Group's globalised development, and firmly implement the key initiatives set out earlier this year. We will deepen the development of our private banking, asset management and custody businesses, strengthen our role as the regional headquarters for the Southeast Asian operations, and enhance our expertise and performance in mutual market access scheme and RMB business. We will embrace innovative technologies, strengthen talent development and bring the current five-year strategic plan to a smooth conclusion, laying a solid foundation for the next five-year plan. We will continue to balance quality, profitability and scale, diversify income sources, maintain consistent risk management and pursue high-quality development, with the aim of delivering value for our shareholders, customers, employees and all sectors of society.

Question and Answer Session

Gary Lam from HSBC: Congratulations on the great results. Recently, 1-month HIBOR has rebounded to nearly 3.3% level. How will this affect the NIM trend in the third quarter, and what is the trend for the NIM in the second half? With the CET1 ratio increasing year by year, is it possible to increase dividend pay-out ratio in the future? Regarding share buyback, what are the plans and considerations for the next step?

Deputy Chief Executive and Chief Risk Officer Xu Haifeng: Thank you for the questions. Since early this year, the 1-month HIBOR showed huge fluctuations, especially it dropped rapidly in May. The average 1-month HIBOR was 2.88% in the first half, falling by 163bps year-on-year. However, since July HIBOR has rebounded, with notable increase in recent days.

During the first half, our net interest income after adjusting for swap factors was HK$28.9bn, up 0.4% year-on-year. The NIM was 1.54%, down 7bps year-on-year. Affected by the decline in HKD interest rates in May, adjusted NIM for the second quarter was 1.53%, down 2bps quarter-on-quarter. This solid NIM performance was attributed to our forward-looking and dynamic asset-liability management strategies. On the liability side, we secured low-cost funding sources, and grew our CASA deposits by 31.7% in the first half, with CASA ratio rising to 57.9%. At the same time, by flexibly lowering fixed deposit prices and shortening deposit tenors, the average interest rate on customer deposits decreased by 55bps year-on-year. On the asset side, we captured the opportunity of market demand recovery for financing, and grew customer loans by 2.0%. At the same time, we effectively managed bond investments to ease the impact of lower HKD interest rates.

Looking ahead to the second half, the HKD interest rates started to rebound since July and August, and has basically returned to previous level recently. However, as the market generally predicts there will be two rate cuts for USD this year, the upside for long-end HKD interest rates is still limited. We believe it will be difficult for the interest rates to go back to the first quarter level of this year nor the level of the same period of last year. Therefore HKD interest rates will still decrease year-on-year, and will create pressure on NIM and net interest income.

Chief Executive Sun Yu: Thank you for your question. Foundation of long-term shareholder return is built on good operating results. In the first half, we captured market opportunities to expand our balance sheet, steadily increased operating income and effectively managed operating expenses in a sensible manner. As a result, our attributable profit increased by 10.5% and enhanced ROE by 0.53ppt to 12.92%, hitting an 8-year high.

Meanwhile, in response to shareholder demand for receiving cash dividends as soon as possible to increase investment flexibility, BOCHK has started paying quarterly dividends since 2025. The Board has declared the second interim dividend of HK$0.29 per share, and including the first interim dividend, dividend per share was HK$0.58 for the first half. We will follow the plan and pay the next interim dividend in the third quarter.

We have been adhering to a prudent dividend policy for a long time, striving to balance between maximisation of shareholder interests and our long-term development. The full-year dividend payout ratio will be maintained between 40% and 60%. We will strive to continuously increase dividend payout ratio and comprehensively consider our earnings performance, shareholder return demand, regulatory requirements, changes in risk and opportunities for business development, when determining the full-year dividend payout.

Besides that, at the end of June, we obtained an approval of the general mandate from AGM that permit us to keep shares repurchased in the form of treasury shares. We will proactively advance the internal and external communications for share buyback and enrich our toolbox for shareholder returns.

Lastly, as regards enhancing capital utilisation, we will seize opportunities for regional and integrated business development, and strive to outperform the market in our core businesses and maintain good profitability, while optimising capital allocation to improve capital efficiency. Recently, we are actively pursuing the completion of the acquisition of BOCI Private Bank. Through expanding our high-net-worth customer base, we aim to increase the core competitiveness of our wealth management business, building a private banking centre for BOC Group.

Michael Zhang from Citi: BOCHK achieved steady loan growth in the first half of this year. Considering the fluctuation of market interest rates and the pressure of the commercial real estate (CRE) industry, what is the loan growth outlook in the second half? Southeast Asian business delivered healthy growth in the first half, what development strategies will be adopted in the long run?

Deputy Chief Executive Wang Huabin: Thank you for your question. In the first half, Hong Kong loan demand rebounded with low-singledigit loan growth. BOCHK seized business opportunities, as our customer loans reached HK$1.71tn at the end of June, rising by 2% from the end of last year, with a local market share of 16.2% which remained at a high level. Among these, corporate loans for use in Hong Kong such as wholesale and retail trade, manufacturing and financial concerns, and residential mortgages all grew healthily. Loans for use outside Hong Kong grew by 3.5%. RMB loans increased by 16% in HKD terms, supported by strong RMB financing demand.

For the second half, downside risk remains in the global economy. U.S. tariff policies and other macro factors might continue to dampen corporate investment confidence and credit demand, presenting challenges to loan demand of the banking sector. Meanwhile, the Mainland economy is striving to meet its annual growth target through increasing policy supports and restoring internal growth momentum. Leveraging its unique advantages as a "super connector" and an international financial centre, Hong Kong will acquire growth momentum from serving the high-standard opening-up of national development. In addition, the negotiation of the Version 3.0 of China-ASEAN Free Trade Area (CAFTA) has concluded, facilitating deeper and broader regional integration in trade and economic development. Though HKD interest rates rebounded from the low levels during the last 2 months, they will remain at reasonable level under the influence of U.S. interest rate cuts. This will help reduce corporate financing costs, and stimulate certain financing needs. We expect the Hong Kong market to maintain its moderate loan recovery momentum.

Overall, facing both challenges and opportunities, BOCHK will fully serve the real economy focusing on the Chinese mainland, Southeast

Asian (SEA) and major overseas markets on top of our home market, leverage our strong local customer base and unique strengths in cross-border, RMB and mortgage businesses, continue to reinforce market competitiveness, and capture opportunities from the development of new quality productive forces. We will adhere to risk bottom-line, effectively balance among “risk, profitability and scale” for lending business and strive for solid loan growth that outperforms the market in the year.

Deputy Chief Executive Li Tong: Thank you for your question. In the first half, SEA countries maintained steady economic recovery momentum. Driven by consumption, exports and investment, ASEAN achieved GDP growth of 4.9%, and has remained China’s largest trading partner, with bilateral trade volume growing 9.6% and accounting for nearly 17% of China’s total foreign trade volume during the period. In May, China and the ten ASEAN countries fully concluded the comprehensive negotiations on the CAFTA 3.0, which will effectively promote deep integration of industrial and supply chains, and inject sustained momentum into regional economic integration.

We insisted on the integrated operation approach and our differentiated “One Branch, One Policy” strategy, steadily advancing coordinated regional development. As of the end of June, our SEA related business deposits and loans grew by 10.5% and 8.4%, respectively, outpacing the group’s average growth rates. The related operating income increased by 9.3%, accounting for 8% of the group’s total operating income. We continued to strengthen regional risk management capabilities, with our SEA entities’ NPL ratio dropping to 2.70%. NPL coverage ratio stood at 125%, remaining adequate with overall risk manageable.

Actively integrating into the national diplomatic, economic and trade landscape, we strengthened the Group synergies to drive steady growth across all businesses. In corporate banking, we seized opportunities from industry chain shifts and fully supported key regional projects and large customers. We further optimised product offerings and regional iGTB services, advanced green finance development, and accelerated the expansion of custody networks, enhancing diversified service capabilities. In personal banking, we further expanded local instant payment, cross-border payment, QR code interconnectivity, and RMB salary direct remittance functions. We enriched our wealth management products, and improved mobile banking user experience. By strengthening corporate-and-personal banking collaboration, we expanded our customer base of Chinese "Going Global" enterprises, with payroll account numbers growing over 9% from the end of last year. We made further progress in the development of RMB and treasury services, and were named one of the Appointed Overseas Office (AOO) for trading and settlement in the Malaysian ringgit. BOC Thailand put the first CIPS terminal service application into operation in the SEA region.

In the second half, we will further leverage our spearheading function as the headquarters, collaborate with the SEA entities and promote high-quality regional business development, mainly through 4 aspects:

Firstly, we will focus on Chinese elements to expand the SEA business. We will seize opportunities in "Belt and Road" business, focus on increasing our share in the markets of "Going Global" customers, corporates involved in China-ASEAN economic and trade activities, and leading local industry players, etc. Secondly, we will enhance RMB clearing network capabilities and comprehensively promote the use of RMB in the region. We will expand RMB business cooperation with mainstream regional financial institutions, lay the framework of basic RMB product offerings, facilitate direct exchange with the local currencies, and strengthen our customer trading services and market-making capabilities, with a view to steadily growing the RMB business scale. Thirdly, we will advance our digital banking services. We will further optimise personal mobile banking services, achieve full coverage of the iGTB platform across the SEA entities, and implement regional digitalisation with online and smart development modes. Fourthly, we will enhance our risk management. We will closely monitor external environment changes, and enhance industry research, risk judgement and analysis, so as to ensure the stable development of our SEA businesses.

Jemmy Huang from JP Morgan: In the first half, BOCHK recorded strong fee income growth, how do you see the momentum and sustainability of wealth management business and fee income in the second half? On asset quality, the provision charges increased year-on-year, how do you see the full-year trend of provision charges, and the control and outlook for your HKCRE loan risk for this year?

Deputy Chief Executive Chan Man: Thank you for your question. In the first half, our adjusted non-interest income was HK$11.1bn, up by HK$4.6bn or 70.2% year-on-year. Within which, net fee income was HK$6.3bn, up HK$1.3bn or 25.8%. Other non-interest income was HK$4.8bn, up HK$3.3bn or 216.1%. The growth was mainly driven by wealth management and treasury businesses.

In the first half, Hong Kong economy maintained strong momentum, supported by robust stock market transaction volume, a stable property market, continued recovery in tourist numbers and retail sales improvement for consecutive months. Seizing these opportunities, we focused on customer needs for wealth management and cross-border consumption, and further strengthened products and services, to expand fee income sources, achieving a net fee income of HK$6.3bn, up 25.8% year-on-year.

We captured the strong capital market sentiment and recorded 95% growth in investment and insurance businesses, driven primarily by securities brokerage, insurance and funds distribution. Since early this year, we promoted securities products and different types of funds through multiple channels. As a result, our securities brokerage and funds distribution commissions rose by 64% and 38% year-on-year respectively. Leveraging the strong sales sentiment early this year, we extended insurance promotion campaigns, and strengthened marketing of legacy insurance products to high-end and cross-border customers, driving insurance commission income growth of 2.2 times year-on-year.

In traditional businesses, we leveraged our cross-border business strengths to optimise cross-border payment experiences, and catered to customers' diverse needs in dining, travel and entertainment. We continuously enhanced our credit card product suite. Specifically, we launched "BoC Go Card," upgraded "BoC Pay," and added new application scenarios to BoC Bill, achieving steady growth in card spending and merchant acquiring volumes, while credit card fee income increased by 6.9% year-on-year. Besides that, we deepened collaboration with offshore and onshore entities of BOC Group. By providing comprehensive services to key customers, we successfully brought in multiple new asset portfolios for our custody business, and grew assets under custody by about 20% from the end of last year, driving 18% year-on-year growth in custody commissions.

In the second half, we expect the Mainland and Hong Kong economies to remain steady and positive, with continuous and strong investment sentiment. The Mainland's efforts to expand domestic demand and boost consumption, coupled with the HKSAR Government's promotion of tourism and mega events, will drive sustained growth in cross-boundary travel and consumption both northbound and southbound, boosting consumption sentiment. These, coupled with the fact that retail consumption will enter the peak season close to year-end, will benefit our investment and insurance-related fee income, as well as other non-credit traditional fee businesses. We will continue to identify customer needs, focus on both customer acquisition and retention, enrich products and services, and enhance marketing capabilities, striving to maintain solid growth in net fee income. At the same time, we will also enrich client trading product shelf to meet customers' demand, so as to drive the diversified growth of our non-interest income.

Deputy Chief Executive and Chief Risk Officer Xu Haifeng: Thank you for your question. Hong Kong economy delivered a steady performance in the first half. The local residential market showed signs of stabilisation, but office and retail commercial property markets had not yet recovered and remained under pressure. Benefiting from our prudent risk management and robust customer base, our overall asset quality remained steady with adequate provisions.

As of the end of June, our NPL ratio was 1.02%, down by 3bps from the end of last year, continuing to outperform the Hong Kong market average. Special mentioned loan ratio was 1.32%, down by 5bps. Annualised credit costs for the first half were 39bps, up by 14bps year-on-year. Total loan impairment charges were HK$3.3bn, up by HK$1.2bn year-on-year, mainly due to the continued pressure on the commercial real-estate (CRE) market. In addition to the downgrades of internal ratings of certain property customers, we also prudently increased the provisions of the relevant portfolios with stressed parameters and against certain non-performing customers in expectation of reduced future cashflows and reduced value of collaterals. As of end of June, our NPL coverage ratio was 85.9%, up by 1.1ppts from the end of last year. Total impairments represented 0.88% of total loans, roughly flat from the end of last year, maintaining adequate provisions.

In the second half, the Mainland economy is expected to remain steady and positive, supported by proactive fiscal and moderately loose monetary policy. The HKSAR Government is actively aligning its policies with the national strategy and pro-Hong Kong measures to drive economic development, while the local residential market further stabilises. These will benefit Hong Kong's GDP growth. We will continue to monitor global economic trends and high-risk credit portfolios, dynamically adjust credit policies, strengthen risk controls and enhance disposal of existing NPL. We expect our full-year NPL ratio to face upward pressure but will continue to outperform the market average. Meanwhile, we will adhere to our prudent approach and maintain adequate provisions. Full-year credit cost for 2025 is expected to be similar to the first half of the year.

Regarding Hong Kong CRE loans, while the local residential market has shown signs of stabilisation, the office and retail commercial property markets remain under pressure. We will closely monitor market changes, and timely review risk management policies for property loans. Currently, our Hong Kong CRE loan portfolios are still under pressure to a certain extent, in terms of risks, but the overall asset quality remains relatively manageable. As of end of June, our loan exposure to non-Mainland CRE customers amounted to HK$252.1bn, largely flat compared with the end of last year, accounting for 14.7% of the group's customer loans, down 0.2ppt. Most customers are large blue-chip enterprises in Hong Kong, with over 70% related to listed companies, which have relatively stable financial positions. In terms of loan structure, 82% were for use in Hong Kong, with nearly 60% in property development. The NPL ratio was 1.27%, down by 0.1ppt from the end of last year. The NPL coverage ratio was 79.7%, up by 32.7ppts. Total loan provision coverage ratio was 1.0%, up by 35bps. Collateral was primarily Hong Kong property with average LTV ratio slightly above 50%.

In the second half, while low levels of HKD interest rates will reduce mortgage interest burdens for homebuyers, rental yields are expected to rise. These will help stabilise Hong Kong's residential market. However, the office and retail commercial property markets will take time to recover. We will closely track the latest market developments, maintain our long-standing prudent risk management policies, effectively manage the CRE loan risk, to ensure that the overall risk remains manageable.

Helen Li from UBS: In the first half, BOCHK had a significant increase in credit cost while its NPL ratio remained stable. Was it due to write-off of loans? How much of it was related to HKCRE loans? How do you see the risks of property investment loans used in Hong Kong? Additionally, operating expense growth was well controlled in the first half, what is the outlook for full-year growth?

Deputy Chief Executive and Chief Risk Officer Xu Haifeng: Thank you for your question. Our NPL ratio remained stable in the first half, with some new NPLs and some write-offs. The write-offs were mainly due to certain Mainland CRE NPLs formed in the past coupled with some Hong Kong related loans. Overall speaking, property development accounted for about 62% of total HKCRE loans, and the borrowers are mostly listed companies and large enterprises with relatively low risk. Property investment accounted for about 38%. The increase in property investment NPL ratio was mainly due to the downgrade of internal credit rating of certain CRE customer.

As regards operating expenses, benefitted from effective cost-control, our operating expenses were HK$8.3bn for the first half, up 2.3% year-on-year. Driven by faster income growth, the cost-to-income ratio improved by 2.2ppt to 20.76%, continuing to lead among local peers. For 2025, we expect the operating expenses to rise steadily, and the cost-to-income ratio to remain stable compared with 2024, continuing to stay at a better level among peers, while the long-term goal of staying within 35% unchanged.

(Online Question) Yan Jiahui from CICC: As BOCHK acts as a key financial bridge under the GBA and Belt and Road initiatives, and is also a major service provider in Hong Kong stock market, can the management share with us on the development progress of RMB business? In the future, how will BOCHK leverage the advantages of being part of the BOC Group, and utilise the resources both in Hong Kong and the Chinese mainland to further promote RMB internationalisation, so as to consolidate the unique advantages in the offshore RMB ecosystem?

Chief Executive Sun Yu: Thank you for your question. Since early this year, RMB internationalisation continued to make steady progress in a prudent manner. As of the end of June, RMB deposits in Hong Kong market reached RMB882.0bn, while RMB loans grew 15.6% to RMB836.0bn, up 15.6% on a high base. For the first seven months, the issuance volume of offshore RMB bonds excluding CDs reached RMB420.1bn, growing steadily compared with the same period of last year.

BOCHK remained customer-oriented, continuously leading in business and service innovation to promote the development of offshore RMB market. We leveraged the advantages as a clearing bank, and maintained a significant share in global offshore clearing service as the volume processed through HK RMB RTGS system reached RMB326.6tn. At BOCHK's owned entities, BOC Malaysia and the Manila Branch, grew their RMB clearing volumes by 12% and 20% year-on-year, respectively, while the Phnom Penh Branch achieved a rapid growth of 62% quarter-on-quarter in RMB clearing volume in the second quarter since commencing operations in the first quarter.

Meanwhile, we further enhanced product and service innovation, and consolidated our traditional business advantages, maintaining market leadership in RMB deposits, RMB loans, and RMB insurance market in terms of standard new premiums. In the first half, our RMB fund sales grew by almost 50% year-on-year. We also actively participated in the HKMA's RMB trade finance liquidity arrangement, and launched the first RMB insurance premium financing service to seize market demand for diversified RMB investment and financing.

We deeply participated in the mutual market access scheme businesses, maintaining our leading position in "Stock Connect", "Bond Connect", "Cross-boundary Wealth Management Connect" and "Swap Connect". We commenced the offshore RMB bond repo business by using "Northbound Bond Connect" bonds as collateral in the Hong Kong market. We launched "Payment Connect", and act as the sole settlement bank, providing banks in the Chinese mainland and Hong Kong with bilateral cross-boundary fund settlement services in RMB and HKD. We were appointed by the Shanghai Gold Exchange to operate its first International Board-certified vault, enhancing Hong Kong's central position in the regional gold market.

Since early this year, policies to deepen financial cooperation between the Chinese mainland and Hong Kong issued by the PBOC and the HKMA have gradually taken effect, further enhancing the convenience of cross-border RMB usage and reinforcing Hong Kong's status as a global offshore RMB hub. The RMB business has always been a top strategic priority for BOCHK. We will continue to capture the opportunities from RMB swap agreements, regional currency cooperation, connectivity businesses and free trade zones, and further innovate integrated products, enrich cross-border RMB usage scenarios, develop RMB financing and treasury services, and enhance the RMB clearing and treasury capabilities of our SEA entities. Through these efforts, we will support the consolidation and elevation of Hong Kong's status as a global offshore RMB hub while strengthening our leading position and advantage as the first-choice bank for offshore RMB business.

(Online Question) Wang Xianshuang from China Merchant Securities: Currently, with rapid development of technology in Hong Kong, the blockchain and artificial intelligence (AI) applications are in full swing across various industries. How does the management team see the impact of AI on the development of banking industry? Also, could you please introduce BOCHK's achievements in the development and application of AI, how banking operations are empowered, and what are the future development plans?

Deputy Chief Executive Xing Guiwei: Thank you for the question. The rise of Generative AI (Gen AI) has injected fresh momentum into our fintech development. In recent years, BOCHK has actively explored and invested in the AI application-related research. Currently, we deploy more than 100 AI models, utilising technologies such as Gen AI, computer vision, natural language processing, optical character recognition, smart language and speech recognition. These models supported a diverse number of use cases, including precise marketing, smart customer service, remote account opening, smart anti-money laundering, smart anti-fraud, smart credit rating, smart operation, and smart behaviour risk control. Within this, our smart anti-fraud monitoring covered 11 channels and applied to 150 scenarios based on more than 70 rules.

We continued to refine our AI governance mechanism, and established an AI Committee to formulate group-wide AI application development strategies and oversee the management of AI risk & compliance. We continually promoted the construction of an integrated Gen AI platform to support stable operations of open-source and commercial large models. In addition, we developed an enterprise-level knowledge base platform to comprehensively promote AI office applications within the company, while adopting AI projects across various business scenarios within the group. At the same time, we actively participated in the Gen AI sandbox programme jointly promoted by the HKMA and Cyberport, and were selected for trials in the scenarios of customer experience and fraud detection, at which we achieved significant progress and positive results. Additionally, we have already established an AI laboratory and are continuously optimising the technical framework for enterprise-level model training, calibrating, deployment and management, to support technological research and application innovation. We are also using the latest large models such as Deepseek to promote AI technology validation and scenario development. In the future, we will continue to strengthen digital transformation and constantly solidify AI applications in areas such as knowledge search, process automation and personalised services. Based on risk-oriented governance considerations, we will proactively deploy AI to optimise customer service and enhance work efficiency, while striving to create values for our customers and staff.