**BOC HONG KONG (HOLDINGS) LIMITED**

**(the “Company”)**

**QUESTION AND ANSWER SESSION CONVENED IMMEDIATELY AFTER ANNUAL GENERAL MEETING HELD ON 16 JUNE 2015**

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**Present:** **Executive Directors:**

Mr. Yue Yi (Vice-Chairman and Chief Executive)

Mr. Li Jiuzhong (Chief Risk Officer)

**Senior Management:**

Mr. Lin Jingzhen (Deputy Chief Executive)

Madam. Sui Yang (Chief Financial Officer)

Mr. Huang Hong (Deputy Chief Executive)

Mrs Kung Yeung Ann Yun Chi (Deputy Chief Executive)

**Company Secretary:**

Mr. Chan Chun Ying

Immediately upon the conclusion of the Annual General Meeting held on 16 June 2015, Mr. Yue Yi, Vice Chairman and Chief Executive of the Company (together with its subsidiaries, collectively known as the “**Group**”), took the chair of the Question and Answer session. CE Yue, together with Mr. Li Jiuzhong, Executive Director and Chief Risk Officer, and the management, as authorized by the Board and Chairpersons of the Board Committees, attended the Question and Answer session and answered the following questions raised by shareholders:

1. **At the Annual General Meeting, a shareholder first expressed his thanks to the former CE Mr. He Guangbei for his significant contributions to the Group and due attention to shareholders' expectations in the past years. Then the shareholder enquired about the recent personnel changes on the Board of Directors and the senior management of the Company, hoping to be informed of the risks arising from such changes and the related countermeasures taken.**

   CE Yue first expressed that the Group had been growing stably, delivering sound results and generating satisfactory returns to shareholders under the leadership of the former CE He Guangbei over the past dozen years or so. The new management team would like to achieve greater success riding on this momentum. As one of the three note-issuing banks and the sole RMB clearing bank in Hong Kong, BOCHK had already become a mainstream bank with sizeable operations in the city. It recorded favorable performance in the first quarter of this year, as evidenced by the stability in the growth of profit, deposits and loans, as well as steady loan quality, which should provide some comfort to shareholders.

   CE Yue further responded that this shareholder's concerns over the changes in the Company's senior management were well understood, emphasizing that such changes were due to normal reasons such as retirements in accordance with relevant regulations or job promotions to the parent bank. He also stated that the successors were all experienced members having served relevant managing roles at the Group or at the parent bank. For example, DCE Lin Jingzhen, who was previously the General Manager of Corporate Banking Department of Bank of China (BOC), would bring in greater opportunities and vitality to the Corporate Banking business of the Group; Madam Sui Yang already assumed her role as Chief Financial Officer some time ago. Serving as the Chief Risk Officer for more than 6 years, Mr. Li Jiuzhong, who was recently designated as an Executive Director by the Board, would play an important role in the management with his strong understanding of the Group's risk management system. At last, CE Yue said that with BOCHK's long history, solid foundation, stable operations, sound corporate governance mechanism and stringent risk management system, he was confident in delivering better results under the supervision of local regulatory authority and with the supports from the parent bank as well as all shareholders.

2. **A shareholder enquired about the background and the considerations behind the Company's announcement last month to potentially dispose of Nanyang Commercial Bank and acquire certain ASEAN banking assets from the parent bank.**

   CE Yue answered that the potential disposal of Nanyang Commercial Bank ("NCB") aimed at reducing the business overlaps and resolving the issues of decentralization of resources and customer base between BOCHK and NCB, which would streamline the management structure and improve capital efficiency of the Group. CE Yue stated that there were three key points of consideration behind the acquisition plan of banking assets in certain ASEAN countries from the parent bank and the relevant capital operations. First, the Group's growth prospects could be enhanced through the transformation from a community bank to a regional bank. The plan was strongly supported by the Central Government, Hong Kong SAR government and the local regulatory authorities. Second, ASEAN region was an important starting point and the key node of the "One Belt One Road". There would be many government-led infrastructure projects including ports, airports and railways etc., which would create great opportunities for the Group's corporate financing business. By leveraging its capital, personnel and product advantages, the Group could boost its profitability and achieve better synergies with the BOC Group in the ASEAN region. Third, the Group would be able to expand its customer base by developing the overseas Chinese markets in the ASEAN countries, contributing positively to its earnings.

3. **A shareholder asked whether the management would consider a special increase in the dividends for 2015 to reward shareholders, given that the Company's dividend payout ratio was downward adjusted since 2013 due to the fall in capital adequacy ratios, while they already improved in 2014.**

   CE Yue replied that the new management would balance the short-term and the long-term interests of shareholders, while believing that special dividend was just one of the options to reward them. The same objective could also be achieved if the Company increased its long-term value through reinvesting in its business. The management would strike a balance among paying dividends, satisfying long-term business needs as well as managing risk and capital, with a view to generating the best returns for shareholders.

4. **A shareholder inquired that as the leader in the mortgage market in Hong Kong, what strategy would the Group employ in its mortgage business development after the introduction of higher risk-weight floor for residential mortgages by the HKMA, and whether the Group would be able to maintain its market leadership.**

   DCE Kung Yeung responded that mortgage business had long been the core competitive advantage of the Group. In 2014, the Group's mortgage loans grew by 7.2%. Our leading position in the local mortgage market had been well maintained so far this year. The higher risk-weight floor introduced by the regulatory authority on the mortgage loan book of the authorized institutions using Internal-Rating Based approach by the end of June 2015 would create pressure on the risk-weights and the operating cost given that the prevailing mortgage rate continued to stay low. With a sizeable mortgage book, the Group did enjoy a certain degree of cost advantage. Next step, the Group would continue its efforts in maintaining the market leadership by expanding product choices and coverage to offer competitive mortgage services to different customer segments.

5. **A shareholder enquired if the Group planned to purchase the ASEAN assets from its parent bank BOC with the proceeds from NCB disposal and which BOC institutions/branches in ASEAN countries were under the purchase plan. He also inquired whether the Company would consider paying special dividends after the completion of these asset acquisitions.**

   CE Yue explained that there were various factors to consider with regard to the potential acquisition targets including their market prospects, customer base, strategic position of corporate and personal banking businesses under the driving force of the "One Belt One Road" initiative, and whether they could complement the current business of BOCHK, etc. The potential acquisitions were still subject to approvals from the regulatory authorities in the Mainland of China, Hong Kong as well as in those ASEAN countries. The Company would make announcement in a timely manner once there was any significant progress or decision.

   CE Yue reiterated that paying special dividend was just one of the alternatives to reward shareholders. The new management would balance the short term and long term interests of shareholders and strive to generate sustainable and stable returns to them in a longer horizon.

6. **A shareholder asked if BOCHK was considering to issue commemorative notes for the bank's 100th Anniversary in 2017.**

   CE Yue replied that BOCHK had successfully issued commemorative notes for Beijing Olympic Games and the 100th Anniversary of BOC in 2008 and 2012 respectively, with warm market responses. The strong demand from Hong Kong citizens had demonstrated their passion about the Olympics and deep affection for BOC. The year of 2017 would mark the 100th Anniversary of the establishment of the BOC's institution in Hong Kong. As the largest overseas institution of BOC and a mainstream local banking group, BOCHK had gone through both good times and bad times with Hong Kong, and achieved its own growth along with the development of this city in nearly a century. The new management had proposed the mission of "Serving Society, Delivering Excellence" and was devoted to making greater contribution to cementing and enhancing Hong Kong's position as an international financial center as well as its long-term prosperity and stability. BOCHK was planning and preparing a series of celebration activities including the issuance of commemorative notes. Being hopeful of overwhelming subscriptions, CE Yue stated that appropriate resources would be deployed to build an efficient and convenient system with simple issuing procedures, which should facilitate a smooth subscription process, fully taking into account the public needs and avoiding causing troubles to the citizens.

7. **A shareholder extended his gratitude to CE Yue for the Company's stock price performance which recently hit record-high. He further enquired about how the Group would grasp the opportunities arising from the establishment of the three new free trade zones in Guangdong, Fujian and Tianjin.**

   CE Yue expressed his appreciation for the shareholder's supports and encouragement, stating that his biggest aspiration in joining the Company was to see its stock price achieve new high continuously and outperform its competitors. He explained that the strong performance of the Company's stock price which recently set record high, was not just a reflection of better operating trends relative to its peers thus far this year driven by strong momentum at both traditional commercial banking and capital-light businesses, it was also attributed to a chain of positive news and policies favorable to the Hong Kong capital markets.

   CE Yue highlighted that the development of free trade zones was a major step taken in the course of China's reforms. The most important changes seen in free trade zone development were the financial reforms and the opening-up of the capital markets, which would provide excellent opportunities for the financial industry. The Group had gained first mover advantage in the new free trade zones by signing strategic cooperation agreements with a number of corporations. In the future, we would further strengthen relationships with enterprises there and provide them with banking services in the areas of trade finance, cash management and cross-border RMB / foreign currency cash pools, etc. Meanwhile, the Group would closely collaborate with the parent bank BOC and its domestic branches, to seize the significant opportunities of the free trade zone development and to improve profitability.

8. **A shareholder noticed from the Company's annual report 2014 that the advances overdue and the related loan impairment allowances increased significantly in 2014, as compared with 2013. He enquired if there were any countermeasures to be taken.**

   CFO Sui replied that the table (d) on the page 160 of the Company's 2014 annual report displayed the data of advances overdue for 3 months or more, which showed a total of HK$1,307 million or 0.14% of the gross advances to customers in 2014. According to the Group's asset classification policy, the advances overdue for more than 3 months must be downgraded to classified or impaired loans. In addition, customer advances overdue for 3 months or less could also be downgraded to classified or impaired loans, based on the credit rating of the borrowers that were commensurate with their risk profiles. The related impairment allowances would be booked in accordance with the accounting principle and be reflected in the income statement of the corresponding financial year. As of the end of 2014, the loan quality of the Group remained benign with the classified or impaired loan ratio standing at 0.31%, which was below the market average of 0.45%.