

BOC HONG KONG (HOLDINGS) LIMITED
(the “Company”, “BOCHK”)
QUESTION AND ANSWER SESSION CONVENED IMMEDIATELY AFTER
ANNUAL GENERAL MEETING
HELD ON 6 JUNE 2016

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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)
Mr. Yuan Shu	(Deputy Chief Executive)
Mr. Zhong Xiangqun	(Chief Operating Officer)
Mdm. Sui Yang	(Chief Financial Officer)
Mrs. Kung Yeung Ann Yun Chi	(Deputy Chief Executive)

Company Secretary:

Mr. Chan Chun Ying

Immediately upon conclusion of the Annual General Meeting held on 6 June 2016, 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 authorised 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 asked a question about the benefits of the Belt and Road Initiative to BOCHK and the associated plan of BOCHK.

CE Yue responded that the Belt and Road Initiative would be an important national strategy and Hong Kong would play the role of “super-connector”. Following the disposal of the issued shares of Nanyang Commercial Bank, Limited (“**NCB**”),

Bank of China Limited (“**parent bank**”) proposed to sell its banking operations in six ASEAN countries to BOCHK, which would expand BOCHK’s businesses in Southeast Asian countries. The Belt and Road Initiative would bring more business opportunities for Southeast Asian countries, including infrastructure construction and trade. BOCHK would align its own development plan with the State and seek more business opportunities. Hong Kong is an important springboard for Chinese companies to explore overseas markets. According to the statistics released by Hong Kong Trade Development Council for 2013-2015, 65% enterprises which based in Pearl River Delta, 56% enterprises which based in Yangtze River Delta and 60% Bohai enterprises invested in overseas markets through Hong Kong. They considered Hong Kong as the best gateway for making overseas investment. Under the Belt and Road Initiative, there would be more trade exchanges between Mainland enterprises and Southeast Asian countries which would increase the chances for the use of RMB. RMB related business is also a major source of income for BOCHK. According to relevant statistics of the clearing system, RMB was the world's fifth most widely used currency in 2014, and leaped to fourth place in 2015. Although it dropped to between sixth and seventh places for various reasons in 2016, its usage in Southeast Asian countries has increased to 18% and it is being used in over 100 countries and a number of central banks across the globe are developing RMB business. Therefore, the Belt and Road Initiative would generate more business opportunities for BOCHK.

2. One shareholder asked whether the recent market rumors about the equity sale in Chiyu Banking Corporation Limited by BOCHK was true or not and separately, the progress of BOCHK’s acquisition of assets of Bank of China in ASEAN countries.

CE Yue responded that BOCHK made a clarification announcement on 23 May 2016, mentioned that BOCHK has been conducting a feasibility study to review its group’s businesses and assets portfolio. The results may or may not lead to disposal of certain banking assets held by BOCHK. The feasibility study has been in progress and it is not appropriate to disclose details at this stage. BOCHK has always been making great efforts to maximize the benefits for the shareholders and sustain good share price performance. On the completion date of NCB disposal, Chairman Tian Guoli expressed that major business planning was not limited to one-time profit but also required to strive for strategic and long-term development. The proceeds from the disposal of NCB would speed up acquisition pace on the

ASEAN assets of the parent bank, which was expected to complete by end of this year.

3. 2017 marks the centenary of BOCHK's operations in Hong Kong. One shareholder asked what kind of activities that shareholders would benefit from it directly.

CE Yue responded that BOCHK has been proactively studying on the celebration activities which would promote the brand image of BOCHK and bring benefits to the shareholders. Bank of China established its branch operations in Hong Kong on 24 September 1917, which was the first step of overseas expansion for Bank of China. After a centennial development, BOCHK has developed from a bank with 8 staff at the beginning to a staff force close to 10,000 employees. It is a note-issuing bank and the second largest local financial group with the most extensive branch network. Being the largest Chinese company in Hong Kong, BOCHK has always aligned its development with Hong Kong, and has made great contribution to its smooth handover and prosperous development.

CE Yue expressed that even though he came to Hong Kong for not too long, he could really feel great support and trust from the Hong Kong SAR Government, the local citizens and our shareholders. The celebration activities would be ceremonious to deliver to the local public that BOCHK has been operating in Hong Kong for a hundred years, it would be pragmatic and avoid unnecessary spending. The celebration activities aimed for promotion of the brand and customer services capabilities, which could facilitate expansion in our customer reach and enhancement of our corporate image. The year 2017 is also the 20th anniversary of Hong Kong's return to the motherland. As such, BOCHK would issue a fairly large number of commemorative banknotes with Hong Kong elements incorporated therein. Separately, celebration activities would also be held, such as a 100-year historical review inviting HKSAR government officials, related organisations, customers, staff and shareholders to attend, arrange lighting displays as well as publicity advertisement at the BOCHK office buildings, which would also be coherent with features of the 20th anniversary of Hong Kong's return. Through these celebration activities, we could promote BOCHK's brand and expand customer base, which would bring in more business opportunities. It was envisaged that our shareholders could also engage themselves in the celebration events.

4. One shareholder enquired whether BOCHK would consider paying special dividends when announcing its 2016 interim results following the disposal of NCB.

CFO Sui Yang responded that the net gain from the disposal of NCB was approximately HKD30 billion, which would mainly be used in (1) strengthening the capital base of BOCHK and consolidating the sustainable growth of the bank in Hong Kong market; (2) seizing the opportunities being brought by the RMB internationalization and the Belt and Road Initiative and developing BOCHK from a city bank to a regional bank; and (3) deploying resources in an appropriate way by considering the Group's strategic objectives, business growth targets, regulatory requirements and market conditions in order to bring sustainable long-term value for shareholders.

BOCHK has been maintaining a stable dividend payout ratio at a favorable level of about 48% in the past three years. The management and the Board were well aware of the shareholders' expectation in the special dividends declaration and would follow relevant regulations to inform shareholders once the Board has a decision on it.

5. The downtrend in real estate market was gradually apparent in the year of 2016, and one shareholder asked the management whether there would be bad debt risk and whether it would affect the overall operations in this year.

CRO Li responded that Hong Kong's real estate market appeared to adjust downward in the second half year of 2015 after years of upward cycle. Considering the global macroeconomic situation, the interest rate policies of central banks, supplies in the local real estate market and so forth, it was preliminarily estimated that the Hong Kong real estate market prices in 2016 would have adjustment by around 10%.

According to relevant data of last year, the average loan to value ratio of local new residential mortgages was about 50%. Meanwhile, the loan to value ratio of the overall mortgage loans in the market stayed at a relatively healthy level due to appreciation of real estate prices and the continuous repayments by customers over the years. In addition, local regulators have implemented several countercyclical measures to strengthen the resilience of banking system against the potential risks from residential real estate market adjustments. As a locally incorporated bank,

BOCHK has been conducting mortgage businesses in accordance with the related rules and regulations, strictly monitoring the loan to value ratio of mortgage loans and debt-servicing ratio, and performing stress tests for mortgage loans on a regular basis. Therefore, BOCHK was confident in its risk management against the real estate market reversal. The quality of its assets would not be significantly affected in short term based on the current trend, unless there were extreme fluctuations in real estate price caused by a sharp rise of unemployment rate in Hong Kong. CRO Li emphasized that BOCHK would continue to carry out prudent risk management and strive to achieve the highest returns for shareholders.

6. In respect of the discussion on the Belt and Road Initiative in the early part of this Question and Answer Session, a shareholder inquired about the business development plan of BOCHK in Southeast Asia region.

DCE Lin responded that from the overall perspective, BOCHK's ASEAN business development strategy would grasp the opportunities brought by the Belt and Road Initiative and the internationalization of RMB and fully demonstrate its functional role in not just ASEAN but also Asia markets, leverage its advantages in services, products and resources, and extend coverage to the enterprises in Southeast Asia. At the same time, in view of the strong growth in the demand of loan financing related to the Belt and Road Initiative, BOCHK would align its development with the keen commercial and trade activities in the Mainland of China, Hong Kong and ASEAN, participate in large-scale infrastructure projects, promote economic and trade exchanges and develop financial markets, so as to transform BOCHK from a city bank into a regional bank.

As the CE previously stated, quite a number of mainland enterprises invested in overseas markets through Hong Kong, which provides a strong support on future development opportunity of BOCHK. In addition, from 2010 to 2020, the cumulative investment for infrastructure projects in 8 countries along the Silk Road including ASEAN countries Singapore, Malaysia, Thailand, Indonesia, and the Philippines, as well as China, Kazakhstan and Pakistan, would be about USD5.7 trillion. Through regional integration of operations and management, BOCHK would lead institutions in Southeast Asia to achieve collaborative development. It would leverage its advantages including specialized platform, product & service capabilities, strong capital, management experiences, and professional human resources in ASEAN region so as to enhance regional synergy.

We would grow our business scale with stronger development, and gradually become a mainstream bank in ASEAN region.

BOCHK would strive to be the mainstream bank for “Going Global” enterprises and the principal and preferred bank for overseas Chinese in Southeast Asia. In terms of customer strategy, BOCHK would focus on the projects of Chinese-funded and Hong Kong-funded sizable enterprises along the Belt and Road, serving the commercial and trade enterprises in industrial parks along the Belt and Road, and strengthening the development of institutional customers. BOCHK would vigorously build a regional personal banking platform, and focus on wealth management and private banking business for mid-to-high end customers. Meanwhile, seizing the opportunity of continuous growth of demographic dividends and high net worth individuals in Southeast Asia, BOCHK would devote itself to providing one-stop banking services for local individual customers. BOCHK would also take the opportunity to provide foreign exchange transactions, asset management, and investment products to overseas central banks and sovereign wealth fund clients.

In terms of product strategy, BOCHK would mainly focus on the financing demands related to investment and trade exchanges along the Belt and Road region, and fully make use of its advantages as an offshore RMB clearing bank by providing transactions, settlement, and financing services denominated in RMB. Since the second half of 2015, BOCHK has been involving in a number of financing projects associated with the infrastructure constructions in Belt and Road countries and achieved favorable results and gave support to BOCHK’s loan growth which outperformed the market last year. We believed the growth momentum to continue in 2016 and it would serve as a driver for business growth this year.

7. One shareholder asked the management’s view on the stock price performance of BOCHK in the second half of this year considering that it has recently stabilised after dropping alongside with the market in 2015.

CE Yue responded that according to relevant regulations, it was not appropriate for the management of a listed company to comment on its stock price. CE Yue said that the stock price was closely associated with the value of an enterprise and its continual business performance. First of all, the financial industry development in

China is sound while its Gross National Product continues to grow. It also enjoys a stable political environment. According to the “13th Five-Year Plan”, China would need to maintain a growth of 6% to 6.5% in the future, which would be essential for the long-term development of BOCHK. Moreover, Hong Kong being the third largest international finance centre, it would not be replaced by Beijing, Shanghai, Guangdong and Shenzhen at present. Hong Kong has many advantages, for example the “One country, Two systems”, which is unique when compared with other Mainland cities. Furthermore, most Mainland enterprises invested overseas through Hong Kong, which reflected that BOCHK has abundant opportunities in the future. As previously stated, the Belt and Road Initiative would be an important strategy of China and the parent bank proposed to transfer its ASEAN assets to BOCHK. In 2015, the credit lending of BOCHK in ASEAN region reached HKD10 billion. We believed that our business development in ASEAN regions would be quite remarkable this year. With the internationalization of RMB and its inclusion into the SDR by the IMF this year, a number of central banks would increase their RMB portfolio. With Hong Kong being the largest offshore RMB center outside China, and BOCHK as the RMB clearing bank in Hong Kong would enjoy great benefits. Recently, BOCHK received support from PBOC to become the first overseas RMB clearing bank directly participating in CIPS. Save as aforesaid, BOCHK would also ensure its management in good track. In the long run, all of these factors would provide positive support to its share price.

8. In addition, individual shareholders also provided valuable advices and their contact details for the Group to follow up.