

BOC Hong Kong (Holdings) Limited
(“The Company”)
Shareholders Q&A Following the Annual General Meeting and
Extraordinary General Meeting on 28 June 2017

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Attendees: Executive Directors:

Mr Yue Yi (Chief Executive)

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 Luo Nan

Following the Annual General Meeting and Extraordinary General Meeting held on 28 June 2017, Mr Yue Yi, Vice Chairman and Chief Executive of the Company (and its affiliated companies, collectively known as “the Group”) presided over the shareholders’ Q&A session. Together with the Management and with the authorisation of the Board of Directors and chairmen of each affiliated committees, Mr Yue answered shareholders’ questions. Details are as follows:

1. A shareholder asked about BOCHK’s future development plans.

CE Yue replied that BOCHK’s business development had been maintaining momentum in recent years and that the Bank would implement several major strategies to support the next phase of its growth. First, he said, is our strategy to capitalise on the Belt and Road initiative and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. At present, BOC has branches and

institutions in 51 countries and regions, including 20 countries along the Belt and Road. BOC was pursuing major projects with a total investment amount in excess of USD400 billion. Currently, the loan balance of BOCHK's Southeast Asia related business exceeds HKD50 billion, making the Belt and Road a good development opportunity. Besides that, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area covering Hong Kong, Macau, Guangzhou, Shenzhen and 7 other cities also presented great development opportunities. In recent years, BOCHK has been leading the collaboration among BOC Group institutions in Hong Kong, Macau, Guangdong and Shenzhen. So far this year, it has approved more than RMB5 billion in loans in this area.

Second is our RMB business strategy. RMB has been included in the currency basket of the Special Drawing Right ("SDR") of the International Monetary Fund since last year, and the RMB exchange rate has gradually stabilised this year. Globally, 70% of overseas RMB clearing businesses were conducted via Hong Kong. As the sole RMB clearing bank in Hong Kong, BOCHK is positioned to benefit from this.

Third is our local market strategy. With the advantages and convenience of the One Country, Two Systems arrangement, Hong Kong has always been a promising market. We remain committed to the Hong Kong market and strive for better development in our corporate business, asset management business and branch network.

Fourth, we will leverage Internet finance and financial technologies. After the disposal of Nanyang Commercial Bank, Limited (NCB) and Chiyu Banking Corporation Ltd (Chiyu), BOCHK has a total of 197 local branches, giving it the most extensive banking branch network in Hong Kong. In addition to continuously providing high levels of service in the traditional financial business, we can use advanced technologies such as Blockchain, artificial intelligence (AI) and fingerprint authentication to promote the development of the intelligent branch network. We also cooperated with partners such as WeChat Pay HK of Tencent Holdings Limited to further the development of the digital payments market. Therefore, we are fully confident in the future development of BOCHK.

2. A shareholder asked about the benefits of the Belt and Road initiative and construction of the Guangdong-Hong Kong-Macao Greater Bay Area for BOCHK.

DCE Lin echoed CE Yue's previous statement that the national Belt and Road and Greater Bay Area project strategies will create opportunities not only for Hong Kong but also BOCHK. He said it was apparent that it is not just the Belt and Road initiative that is making great progress, the Southeast Asia market which is covered by BOCHK is one of the fastest growing regions in the world, presenting us with many opportunities. BOCHK will utilise both Hong Kong's advantages in professional services as well as its own in banking products, services and resources. We will invest more in promoting our Southeast Asian business, as well as the development of the entire Southeast Asia region, especially in customer services,

product innovation and marketing. In the future, we will capture opportunities in four areas. First, we will serve not only Chinese enterprises “going global”, but also local leading enterprises. The second is mainstream projects under the Belt and Road initiative, particularly in Southeast Asia where there are many local and global projects. Third is our mainstream businesses. As one of the mainstream banking groups in Hong Kong, BOCHK is engaged in businesses across multiple currencies, including deposits, loans and treasury in Hong Kong Dollar, US Dollar, Renminbi and Southeast Asia currencies. Fourth is mainstream products. BOCHK has long-standing competitive advantages in syndicated loans, trade finance and cash management. In the future, BOCHK will further promote its business development by collaborating with BOC’s ASEAN institutions. As of May this year, BOCHK had a total loan balance of HKD57.8 billion in its Southeast Asia related business. These hard-earned results, especially in a competitive market such as Hong Kong, have been achieved through our collective efforts. As mentioned above, BOCHK will focus on the ASEAN region in the Belt and Road initiative.

We will also play a bigger role in the construction of the Greater Bay Area. As both BOC and BOCHK are large banks in the Mainland and Hong Kong respectively, we will work closely with our parent bank’s branches in the Mainland. First, there is a robust cooperative agreement between Hong Kong and Guangdong Province on major infrastructure projects, which will serve as a basis for collaboration. Second, all of Guangdong Province is constructing infrastructure to connect both sides of the Pearl River Delta. Hence, there will be great opportunities in areas such as highspeed railways, expressways and bridges. Hong Kong’s development began with ports and trade. In the future, products and goods manufactured in Guangdong Province will still need to enter international markets via Hong Kong. This will create many opportunities for regional cooperation. In addition, Guangdong Province is undergoing a process of industrial upgrade and transformation, in which new opportunities will emerge in industries such as manufacturing, electronics, automotive production, equipment and new energy.

At the same time, BOCHK can make use of Hong Kong’s advantages to coordinate the development of the Greater Bay Area. Moreover, BOCHK can take full advantage of Hong Kong’s status as an international financial centre to develop innovative services in cross-border financing, syndicated loans, M&A financing, bonds and funds. In terms of communication, Hong Kong also has strong advantages as many people are bilingual in Mandarin Chinese and English, enabling them to communicate freely in the Mainland and around the world. BOCHK will utilise these advantages to expand its business globally. Thirdly, BOCHK hopes to establish an innovative financial product test area in the Greater Bay Area. As the Greater Bay Area needs substantial funding for construction to match other advanced bay areas around the world, Hong Kong can play a connective role with global financial markets. To this end, BOCHK can step up its efforts to raise global funds for investing in Guangdong Province via Hong Kong to support construction in the Greater Bay Area. It can also raise RMB funds to promote business development via the Qualified Domestic Limited Partner (QDLP), Qualified Foreign Limited Partner (QFLP) and other programmes. Fourth, BOCHK hopes to develop green finance in the Greater Bay Area since Hong Kong, as a relatively developed economy, attaches great importance to environmental

projects.

3. A shareholder said that since CE Yue took office, the stock price of BOCHK continued to rally and special dividends were distributed, which delighted many minority shareholders. Considering the high capital adequacy ratio of BOCHK, would the Management consider further raising the dividend payout ratio? In addition, as BOCHK completed the sale of its equity stake in Chiyu at the beginning of this year, and 2017 marked both the 20th Anniversary of Hong Kong's Return of Sovereignty to China and the 100th Anniversary of BOCHK, would the Management consider paying out special dividends to shareholders again?

CFO Sui said that BOCHK has been achieving good operating results since its listing 15 years ago. The stock price has increased 3.6 times on a cumulative basis, and its market capitalisation has reached HKD395.4 billion. Over the same period, BOCHK has paid out a total of HKD149.3 billion in dividends, at a compound annual growth rate of 11.7%. The total dividend payout for 2016, including the special dividend, was HKD1.88 per share, setting a new high in the dividend payout amount since listing, which represented an annual dividend growth rate above its peers. The dividend yield was close to 7%. BOCHK's stock price closed on 27 June at a record high of HKD37.4, representing a growth of nearly 35% year-to-date and outperforming both the market and local peers. The Management was deeply encouraged by this, and shareholders should also be satisfied with such a return.

When determining our dividend policy, CFO Sui said we need to take into account the five major strategies of BOCHK mentioned by CE Yue, which should be in line with the banking industry's development and our own future outlook. In order to generate a sustainable and stable return for shareholders, it is necessary for us to retain some capital for future development and our strategic plans. What's more, the regulatory environment has been tightening to protect shareholders' interests but this has also increased the capital requirements for the banks. Taking these factors into consideration, we have assessed that the 40%-60% dividend payout range is still appropriate. This is conducive to achieving a stable and long-term dividend return, while allowing for the interests of shareholders and the long-term development of BOCHK. In addition, we have estimated that we will book a pre-tax gain of approximately HKD2.5 billion in the interim results from the disposal of Chiyu completed early this year, based on its net asset value at the end of 2016. We are still studying whether to pay a special dividend associated with that disposal gain. We will evaluate the feasibility of paying a special dividend at the appropriate time that strikes a balance among various factors, including our business development, the regulatory requirements, the practices of the market and peers, as well as the expectations of shareholders.

4. A shareholder asked about BOCHK's celebration of its 100th Anniversary and whether the bank would issue commemorative banknotes.

CE Yue responded that 2017 marked the 20th Anniversary of Hong Kong's Return to its motherland as well as the Centennial Anniversary of BOC's service in Hong Kong. Celebration activities had commenced early this year, he said, including a summit forum and the bank's history exhibition at the Bank of China Tower. We are also holding a staff celebration event. Based on the general principle of "grand but simple", our celebrations will avoid extravagance and waste, with control over relevant expenses. With these celebrations, we hope to further enhance our influence, expand our customer base, promote our brands and products, as well as increase our business volume. We will invite customers from different business lines, such as private banking, corporate banking and financial institutions, to attend our seminars. BOCHK has also prepared special commemorative banknotes to mark its 100th Anniversary. As the detailed arrangements require internal and regulatory approval, we will announce the programme to the public once it has been confirmed. All shareholders, customers and the public will be welcome to subscribe. Based on the successful experiences of issuing commemorative banknotes for the Beijing Olympic Games and the 100th anniversary of BOC, CY Yue said that the bank is confident about our own commemorative banknotes. The issuance will be implemented in line with the principles of "Openness, Equality and Fairness", and subscription methods will be designed according to public demand. In the meantime, we will also consider a customised approach to meeting the subscription demands of elderly shareholders and members of the public. BOCHK, as a bank based in Hong Kong, will also contribute to the city and conduct charitable activities during the year, including donations to hospitals, schools and poverty-stricken people. This will fulfil not only our responsibility as a large banking institution but also the expectations of stakeholders.

5. One shareholder raised questions about the impact of the US interest rate hikes and whether these would help BOCHK's earnings. Will the interest rate hikes affect BOCHK's mortgage business and asset quality?

CFO Sui replied that this has been a hot topic. The first and second US Dollar rate hikes were completed in the first half of this year, she said. The market was expecting another rate hike in the second half, seeing it as a high likelihood event. Overall, BOCHK's businesses is mainly denominated in three types of currencies: Hong Kong Dollar, US Dollar and Renminbi. The Fed's rate hike would definitely increase USD interest rates. Currently, although HKD liquidity in the local market remained abundant, our judgment is that HKD interest rates will rise from their current levels under the mechanism of the linked exchange rate system. On the other hand, the RMB interest rate in the Mainland has risen significantly since the beginning of this year. In the Mainland market, the one-year RMB interbank offer rate has basically stayed above the 4% level for a relatively long period. Overall, the market interest rates of these three currencies has been on a rising trend. Basic economic theory tells us that higher interest rates will usually benefit banks. Nevertheless, we are also facing some uncertainties. As the Hong Kong market is flush with liquidity and competition in the loan lending business has been highly

intense, both will impact asset yields. In addition, it was sensible for customers to shift their demand deposits to time deposits during an interest rate hike cycle, but this will increase the liability costs of banks. Therefore, even in a favourable market environment we will still encounter challenges. The Management will pay special attention to these and carefully monitor market trends. We will further strengthen our asset and liability management, capitalise on market changes, and strive to improve margins.

CFO Sui expressed that viewing asset quality from a creditor perspective, the burden on debtors who have taken loans from banks will inevitably increase during rate hike cycles. We have therefore taken various measures, including stress testing as required by the HKMA. We will continue to conduct in-depth analyses of credit asset quality at the portfolio level, assess the potential impact of macro-economic factors on customers' asset quality, closely watch changes in the asset quality of interest rate-sensitive industries and carry out post-lending management. As at the end of 2016, the classified or impaired loan ratio of BOCHK was 0.2%, far below the market average of 0.72%. This fully reflects the effectiveness of our long-standing prudent credit risk management. We are confident in our credit risk management policies and will therefore maintain our classified or impaired loan ratio at a lower level compared with the market average.

DCE Kung addressed the question of the impact of a rate hike on the mortgage business by stating that major economies worldwide had witnessed solid growth thus far in the year. Hong Kong was not an exception. Residential property prices remained high, and were up 6.5% on average in the first four months from the end of last year. In these circumstances, competition in the mortgage market was fierce, with lower pricing compared with that of last year. Based on the increase in transaction volume, we continued to see mortgage business growth in the first half of this year. For the second half, given the significant cumulative increase in residential housing prices, which had also risen by about 20% year-on-year, the affordability ratio of home buyers has increased. In addition, monetary conditions could tighten due to US interest rate hikes or shrinkage of the Federal Reserve's balance sheet, and interest rates may tend to move higher in the future. On the other hand, the residential housing supply will gradually increase from this year. The HKMA has stated that it will maintain its series of counter-cyclical measures. While banks need to control risks, potential home buyers must also be aware of risks. The HKMA increased the risk weight applied to new mortgage loans from 15% to 25% in May. As a result, banks also raised mortgage interest rates due to increases in capital costs, which provides room for sustained development of the mortgage business over the long run. Our target is to achieve single-digit mortgage loan growth for the full year.

6. A shareholder inquired about BOCHK's plans for the RMB business.

DCE Yuan replied that as the RMB exchange rate and RMB interest rate has entered a phase of two-way movements, the RMB business will remain a focus in the market and for investors. The RMB business continued to be one of the most distinctive businesses of BOCHK, as the Management has attached great

importance to its development in recent years. CE Yue highlighted the three major opportunities for the development of the RMB business, namely, a stable exchange rate, RMB's inclusion into the SDR basket of currencies, and extensive use of the RMB in regions along the Belt and Road.

Firstly, with regard to a stable RMB exchange rate, we have noticed that the total amount of RMB deposits in Hong Kong rebounded by about 4% in April compared with the previous month. At the same time, the PBOC recently put forward a set of exchange rate reform measures on central parity rates and added a counter-cyclical factor. This was conducive to both the stability of the RMB exchange rate and the healthy development of the RMB business.

Secondly, an increasing number of overseas institutions have investment interests in RMB assets after the RMB's inclusion in the SDR. BOCHK has been leveraging its RMB franchise and established business relations with more than 60 central banks, international financial organisations and sovereign funds. We have provided them with a wide range of products, including deposits, currency exchange and investment in accordance to their needs.

Thirdly, the use of RMB by countries along the Belt and Road has been expanding, which will facilitate further acceptance of the RMB and drive the demand for offshore RMB financing. BOCHK has set up branch coverage in some ASEAN countries and will expand its RMB business by taking advantage of the comprehensive development of the Belt and Road initiative in Southeast Asia. At present, Hong Kong was the largest offshore RMB hub while BOCHK was the leader in the offshore RMB market. We are a market maker in exchange rate products, interest rate products and Dim-sum Bonds, reflecting the strong position of BOCHK. In addition to being supported by a sizable RMB deposit base, we can also make use of our advantages in a wide variety of RMB products and professional talent to provide comprehensive RMB services for individuals, enterprises and institutional customers.

7 · A shareholder asked whether BOCHK would launch new Fintech services.

COO Zhong said that Fintech has been a development focus for BOCHK, along with providing the best Internet banking services in Hong Kong. Firstly, BOCHK has led the Hong Kong market in launching the Blockchain application for mortgage valuation services, which has allowed us to achieve a fully digitalised process with more than 8,000 valuation cases completed thus far in the year, substantially enhancing efficiency. We also applied Blockchain in trade finance services in May. Moving to the next stage, we are considering using this technology in cross-border payment services.

Secondly, we have deployed several biometric technologies to improve the convenience and security of our services. At the beginning of this year, we launched finger vein identification to replace customer signatures in our counter services, which has made our services more secure. Last weekend, we enabled fingerprint authentication in our mobile banking services to replace passwords, and

received a very positive response in the first two days of its implementation. In addition, we will gradually replace password access with finger vein recognition at some ATMs starting next month. The next step will be to launch voiceprint recognition to verify the identity of customers using wealth management services. All these new endeavours underscore our efforts to adopt new technologies and provide innovative services in Hong Kong.

Thirdly, we have been conducting research in AI. There is a common notion that AI is very far off in the future due to its requirement of advanced technology. In an attempt to make inroads in this area, we launched a pilot service in one of our branches early this year with a robot that can handle simple enquiries in Cantonese, Mandarin and English. Additionally, we held an AI stock trading contest at the end of last year, which featured a competition between a human trader and AI machine trader. As the human trader performed better than the AI trader, the contest showed that our AI development was still in an exploration stage and required further improvement. But it also implied that we would keep launching new AI applications, especially in wealth management to improve banking services. In mobile payments, we have Apple Pay and Samsung Pay, and now also support debit and credit cards with new applications. In our extensive branch network, we are committed to digitalisation as this will help us serve more customers. We will also seek to enhance the servicing capability and intelligence level of our branch outlets by launching Smart Mobile Banking, iTeller and Cognitive Virtual Agent services in the year. Thanks to these efforts, BOCHK was the only gold prize winner of the Best FinTech (Emerging Solutions/Payment Innovation) Award at Hong Kong ICT Awards 2017. It is our hope that through the use of emerging technologies, our century-old bank can provide greater value to our shareholders.

- 8 · A shareholder enquired about the potential impact of the “prudential measures” introduced by the HKMA for BOCHK, with respect to property developer loans and residential mortgage loans.

DCE Kung answered that the HKMA reminded potential property buyers several times in the year about risk management and the importance of making decisions based on their affordability, in line with the intention of the latest round of prudential measures. Aside from increasing the risk weight of new mortgages from 15% to 25%, some measures were introduced targeting high-risk loans. The new prudential measures will undoubtedly increase banks’ capital costs and reduce the loan-to-value ratio of some potential property buyers. Nevertheless, these measures will also strengthen the risk management of banks’ mortgage businesses, which is positive for the sustainable development of banking. For those measures related to lending to property developers, they were routine risk adjustments. We will definitely meet the regulatory requirements by following the HKMA’s instructions and guidelines. As the relevant guidelines were issued not long ago, it was too early to comment on their impact on our property developer lending. Again, from the perspective of risk management, these were also positive, and BOCHK will be proactive in following them.