

BOC Hong Kong (Holdings) Limited
(“The Company”)
Shareholders’ Q&A
Following the Annual General Meeting on 27 June 2018

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Attendees: Executive Directors

Mr Gao Yingxin (Vice Chairman and Chief Executive)

Mr Li Jiuzhong (Chief Risk Officer)

Senior Management

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 held on 27 June 2018, with the authorisation of the Board of Directors and chairmen of each affiliated committees, Mr Gao Yingxin, Vice Chairman and Chief Executive of the Company (and its affiliated companies, collectively known as “the Group”) together with the Management, attended the shareholders’ Q&A session. Details are as follows:

- 1. A shareholder asked about the details of BOCHK’s strategic positioning of “Building a Top-class, Full-service and Internationalised Regional Bank”.**

CE Gao indicated that BOCHK’s strategic goal of “Building a Top-class, Full-service and Internationalised Regional Bank” is formed upon Bank of China’s strategic goal of “Build a World-class Bank in the New Era” and its position as the

overseas business flagship of Bank of China (BOC).

CE Gao firstly elaborated on “Top-class” saying that despite the leading rankings of Chinese banks in the globe with respect to asset scale and profits, gap still existed in such areas as international talent, operating mechanism and risk management compared with international banks. Given BOCHK’s role as the overseas business platform of BOC, and its unique competences and advantages established in talent pool, risk and compliance management, operating capabilities and technological platforms, it was well-suited for that strategic goal. In the future BOCHK would strive to deliver top-class development in various aspects including talent, products, service capabilities, risk management and operating mechanism, while emphasizing quality over quantity.

Secondly, providing overseas and international financial services as its major business, BOCHK itself bespoke the meaning of “Internationalistion”.

Thirdly, CE Gao added further on “Regionalisation” that it meant the centralised operation to transform BOCHK from a local bank to a regional bank. BOCHK had completed business integration in seven Southeast Asian countries thus far. In the future, apart from mere physical combination, we would also facilitate logical consolidation in our culture, management and operation, with an aim to shape up our marketing, product and operating mechanisms on par with top-class international banks.

2. A shareholder enquired on BOCHK’s loan growth from 2017 to the first quarter of 2018, and the potential impacts on future loan growth from the China-US trade dispute.

CE Gao stated that BOCHK had delivered remarkable loan growth in 2017 and the growth momentum persisted in the first quarter of this year. CE Gao added that deposit cost was likely to increase with US interest rate hikes, while the loan demand would remain strong in the year. BOCHK would strive to achieve a balanced, solid and sustainable growth by strengthening its asset-liability management in a well-balanced manner, and by controlling deposit costs, enhancing loan pricing as well as reinforcing risk management.

- 3. A shareholder asked about the impacts of interest rate increase on BOCHK's mortgage business strategy, given that Hong Kong might follow the recent interest rate hikes in the U.S.**

DCE Kung expressed that Hong Kong Interbank Offered Rate ("HIBOR"), particularly the short-term rates, had been fluctuating over recent period of time. The tightening of market liquidity was attributable to the approaching of half year end as well as the large-scale Initial Public Offering activities. It was believed that HIBOR would recede when the impacts of the two aforementioned factors eased. The aggregate balance of the banking system remained abundant, and constantly stayed above HKD100 billion in spite of its reduction caused by the triggering of the weak-side Convertibility Undertaking on several occasions. Therefore the probability for an immediate or drastic increase in prime rate or deposit rates was relatively low under such circumstances. Having said that as US interest rate hikes accelerated, the possibility of raising interest rates during the second half of the year would increase.

DCE Kung indicated that mortgage has always been one of BOCHK's core businesses. Apart from service and product qualities, BOCHK also placed great emphasis on the competitiveness of pricing. BOCHK would closely monitor market conditions and make timely adjustments when necessary. Since deposit funding costs would continue to rise amid the current interest rate environment, therefore the possibility for lowering mortgage rate was relatively low.

- 4. A shareholder submitted written materials to the Management during the meeting for some suggestions on BOC Credit Card services.**

Our Company Secretary Luo Nan responded that BOCHK's management have always attached high importance to the feedback from our shareholders and customers on our banking services, which would be followed up afterwards. CE Gao also expressed his gratitude to the shareholder for raising valuable suggestions.

- 5. A shareholder asked if BOCHK would consider M&A opportunities in other Southeast Asian countries and, to which markets with high growth potential it would invest more resources.**

CE Gao expressed that integration with BOC's Southeast Asian institutions was a

major part of BOCHK's strategy at the current stage, which was progressing as planned. BOCHK would keep an open attitude and prudently manage it if further M&A opportunities arise in the future. From our strategic perspective, instead of having large scale business expansion with full-fledged services in every single market, each institution would have a well-defined strategic focus, targeting specific customer groups and segments in their own market. BOCHK would focus more on the enhancement of regional management and further refine the integration of business throughout the process.

CE Gao stated that Southeast Asia region had enormous potential in economic growth and was also a key region for trade and investment along the "Belt and Road" countries. CE Gao added that Indonesia, Malaysia, Thailand, the Philippines and Vietnam were all important markets given their population sizes and growth potential, while Myanmar, Cambodia and Laos also presented promising prospects. BOCHK would continue to deepen its understanding of local markets, appropriately select target customer groups and refine its own positioning with a view to pursuing solid, prudent and sustainable development.

- 6. A shareholder expressed his appreciation to the Management for the commendable share price performance as well as a solid dividend policy in recent years. The shareholder then enquired about BOCHK's view on the RMB exchange rate outlook, and the financial impacts on BOCHK from RMB depreciation. In addition, the shareholder asked about relevant risk management measures by quoting a recent incident in Vietnam.**

CE Gao reiterated that Southeast Asian markets had considerable growth potential, and BOCHK needed to properly identify its market positioning and continuously enhance its risk management capabilities, in particular in dealing with unexpected incidents. Taking what previously happened in Vietnam as an example, CE Gao said that the local branch's solid operations enabled it to acquire timely information in all aspects, allowing it to formulate contingency plan in advance and take appropriate actions in a timely manner with manageable risks. CE Gao highlighted that risk management was an important part of BOCHK's transformation from a local bank to a regional bank. Aside from achieving top-class product and service capabilities, BOCHK would also need to equip with equivalent risk management capability.

CFO Sui expressed that RMB exchange rate had shown relatively volatile performance since the beginning of this year which was exacerbated by the recent China-US trade dispute. Overall speaking, the outlook of RMB exchange rate was still determined by China's economic development, which remained solid and resilient, while the monetary policy was maintained stably and well-arranged. Therefore, the RMB exchange rate was expected to remain steady in the medium to long term. CFO Sui further added that as BOCHK was maintaining nil net structural position in RMB, thereby RMB exchange rate fluctuation had not created noticeable impacts on BOCHK's financial performance.

7. As HKD exchange rate triggered the Weak-side Convertibility Undertaking several times in the past six months while the China-US trade dispute might further lead to capital outflows by multinational corporations, a shareholder asked about how BOCHK would respond to potential share price volatility and its perspective on the Linked Exchange Rate System.

DCE Yuan stated that there had been uncertainties in the macroeconomic environment since the beginning of this year, including RMB and HKD exchange rate fluctuations which drew intense market attention. DCE Yuan further said that as relevant regulatory and financial institutions had already adopted measures to further solidify the confidence of capital market in the exchange rate system, no fundamental change was seen to the long-standing Linked Exchange Rate System of Hong Kong due to the potential China-US trade war.

CE Gao remarked that prolonged implementation of accommodative monetary policies had led to low interest rates in such regions as the U.S. and Europe, as well as a weak US dollar for a long time. As Hong Kong is an international financial center that allows free flow of capital, the HKSAR Government, Hong Kong Monetary Authority and major financial institutions all attach high importance to the management of liquidity, market risks as well as assets and liabilities structure, in response to the fund movements triggered by US dollar appreciation. Specifically in order to prepare for the potential rise in interest rates, global regulatory authorities would step up requirements related to liquidity risk management including liquidity coverage ratio and net stable funding ratio that has come into effect since this year, in addition to those on capital adequacy ratio and asset quality. Simultaneously their stress test requirements for large banks in Hong Kong would become more stringent. All these measures aimed to enhance the capacity of

financial markets to withstand fluctuations. Furthermore, the fiscal position of the HKSAR Government as well as the overall size, aggregate balance, asset quality and liquidity position of the entire banking system were distinctively different from that of 1997, when Asian financial crisis took place. Therefore BOCHK remained confident in the future despite the existence of risk.