BOC HONG KONG (HOLDINGS) LIMITED

(the "Company")

QUESTION AND ANSWER SESSION CONVENED IMMEDIATELY AFTER ANNUAL GENERAL MEETING HELD ON 28 MAY 2013

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Present: **Executive Directors:**
Mr. He Guangbei (Chief Executive)
Mr. Gao Yingxin (Deputy Chief Executive)

Senior Management:
Mr. Zhuo Chengwen (Chief Financial Officer)
Mr. Wong See Hong David (Deputy Chief Executive)
Mr. Yeung Jason Chi Wai (Deputy Chief Executive)
Mr. Li Jiuzhong (Chief Risk Officer)
Mr. Lee Wing Kwai Alex (Chief Operating Officer)
Mdm. Zhu Yanlai (Deputy Chief Executive)

Company Secretary:
Mr. Chan Chun Ying

Immediately upon conclusion of the Annual General Meeting held on 28 May 2013, Mr. He Guangbei, 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 He together with Mr. Gao Yingxin, Executive Director and Deputy Chief Executive, 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. A shareholder expressed his concerns on the Group's RMB business. He indicated that ICBC had been appointed as the Clearing Bank for RMB business in Singapore, and BOC Taipei Branch had already launched its RMB clearing business. He enquired if this would affect BOCHK's leading position as the sole Clearing Bank in Hong Kong and the measures to be taken by BOCHK to maintain its competitive edge. In addition, the shareholder put forward a few questions from three aspects

as listed below: (i) the reason for only a slight increase of 3.4% in the Group's operating profit before impairment allowances for Q1 2013 as compared to Q1 2012, versus the significant increase of 28.8% as compared to Q4 2012; (ii) the Group's financial performance for April 2013 and wondered if the supervisory measures adopted by the Government would have any impact on the Group's mortgage business; and (iii) whether the Company would consider adopting progressive dividend policy.

CE He replied that RMB business has always been the main focus of the Group's strategic development. BOCHK has been appointed as the sole Clearing Bank since the launch of RMB business in Hong Kong in 2004 and has gained a relatively substantial market share. In 2012, the Group recorded a significant increase in revenue generated from RMB business which contributed substantially to the Group's operating results of that year. The Group upheld a relatively high level of RMB clearing business and related services. Firstly, the Group maintained a leading position in clearing business and 70% of cross-border RMB clearing business was conducted through BOCHK with a rapid increase in daily clearing turnover. Secondly, enjoying the comparatively longer history of RMB business in Hong Kong, the Group possessed a more extensive product range with solid market foundation to cater for the increasing transaction volume in clearing business. Besides, BOCHK, as a Participating Bank, has proactively developed related business in the market. In this connection, it was believed that the Group's competitive edge would not be affected resulting from the establishment of RMB clearing function in other regions. RMB business growth was still at an early stage and there should be more room for further development and hence the Group should be able to grasp more business opportunities benefiting from further development of relevant markets.

CFO Zhuo Chengwen stated that the Group's persistence in pursuing sustainable business development strategies. Traditional core businesses including interest income recorded steady growth in Q1 2013 with good financial strength and risk profile. The Group's net operating income before impairment allowances for Q1 2013 rose 4.8% quarter over quarter and increased 13.4% as compared to Q4 2012. Business growth recorded in different reporting period could have led to variance in operating results. One of the factors might be attributable to the change in market revaluation while the performance of investment products related areas including brokerage commission and funds distribution also accounted for the results.

Having excluded the operating profit before impairment allowances, the percentage of business growth has differed as the expenses in Q4 2012 was more than that in Q1 2012. CFO Zhuo reiterated that the Group's consistent approach to uphold sustainable and balanced business development strategies under the leadership of the Board and support of the shareholders. Currently, all the key financial ratios including CAR, credit quality and respective KRIs were maintained at satisfactory levels and formed a profound base for the Group's future development.

CE He indicated that mortgage business of the Group showed a significant decline as compared to year 2012. With respect to the operating results for April 2013, CE He referred the shareholders to keep an eye on the Company's 2013 interim results announcement.

With regard to the consideration of adopting progressive dividend policy by the Group, CE He indicated that BOCHK has maintained a dividend payout ratio with a range from 60% to 70% since its listing. Save for special circumstances in certain years, the Group adhered to the above dividend payout ratio with two main considerations, including satisfying shareholders' expectation on dividend yield and utilising the accumulated surplus as capital for long-term development. The dividend payout ratio as adopted all along should be able to balance these two considerations.

2. A shareholder noticed that the successor has yet to be announced subsequent to the resignation of Mr. Xiao Gang as the Chairman and wondered if this would affect the business operation of the Company and management by the Board during this period.

   CE He affirmed that, due to the need of the state financial work, Mr. Xiao Gang was appointed as the Chairman of China Securities Regulatory Commission. Such arrangement demonstrated the outstanding performance achieved by the Group under the leadership of Mr. Xiao as recognised by the State of which the Group was proud with it. The appointment of new Chairman has yet to be announced. In line with past practice, Chairman of Bank of China Limited would concurrently be appointed as the Chairman of BOCHK and prescribed procedures in accordance with applicable rules and regulations were in process. Upon completion of relevant regulatory procedures, the appointment of Chairman would then be announced. CE He indicated that good business operation hinged on the leadership of the Board and execution by the management. During this period, the Group's business operation has been maintained smoothly without any interruption with all strategies and policies as approved being carried out systematically.

3. A shareholder inquired about the Group's strategies on branch network future positioning and wondered if there would be any plan to increase or reduce the number of branches.

   DCE Yeung Jason Chi Wai remarked that the Group is a financial institution possessing the most extensive branch network in Hong Kong with more than 200 branches at the moment. With regard to the branch network positioning, it should be an on-going enhancement process. On one hand, the number of branches and coverage of services were the Group's competitive advantage to serve as a service platform for customers, whereby on the other hand, branch location and its function should be adjusted in view of the change in local population and transformation in economy. DCE Yeung indicated that there was room for further improvement in the facilities and services rendered by branches. For example, a brand new concept wealth management centre, incorporating with new design and service model, was opened in Causeway Bay during 2012. Adopting the same concept, a wealth management centre was opened in Happy Valley. These two centres formed a new model for branches to be established. As regards to the number of branches, no quota was pre-set without any increase or decrease indicators. It was believed that the existing number of branches and their coverage should be able to satisfy the operation needs, yet appropriate modification would have to be made according to the service needs. It was envisaged that high quality and convenient services could be delivered to our customers through the extensive distribution channels in Hong Kong.

   CE He indicated that the renovation and transformation of branches should not only limit to outlook perception, but also extend to the change in operation concept. Revamption has been made in the business operation model adopted by branches, in particular the implementation of paperless services.

   DCE Yeung supplemented that paperless account opening platform enabled data input by bank staff without using paper. In addition, more than 40 branches have been equipped with signing board over the counter to facilitate the completion of relevant transactions by customers without filling in any prescribed forms. This could enhance service efficiency on one hand, while easing work pressure experienced by staff in account reconciliation on the other hand. According to statistics, benefiting from the further enhancement in operating procedures, staff at certain branches could complete relevant tasks by 10 to 15 minutes earlier than those in the past. Further, environment protection could also be achieved with 80% transactions being conducted paperless.

4. A shareholder indicated the financial results and dividend payout of the Company were all along satisfactory and thanked the management for their unremitting efforts. Yet, he expressed his concerns on two financial ratios: (i) the increase in cost-to-income ratio from 25.49% in 2011 to 31.88% in 2012; and (ii) the drop in return on average shareholders' equity from 16.68% in 2011 to 14.91% in 2012.

   Firstly, CE He thanked the shareholder for his recognition and support towards the Board and the management. CE He explained that the change in the above-mentioned financial ratios was attributed to the Lehman Minibonds related recovery, given that such recovery could offset operating expenses and resulted in a relatively low level of cost-to-income ratio as compared to actual financial position. Besides, change in return on average shareholders' equity was attributable to the same reason. CE He expressed that the Group's cost-to-income ratio probably ranked the lowest amongst the peers in the market. The management has been striving to maintain the cost-to-income ratio at a reasonable level which could control costs in an effective way and deliver reasonable return to shareholders and also retain for long-term business development. The management would continue to make efforts in uplifting the shareholders' return.

   CFO Zhuo mentioned that comparison of relevant financial ratios has been delineated under "Management's Discussion and Analysis" in 2012 Annual Report. Excluding the impact of Lehman Minibonds related recovery, cost-to-income ratio for 2012 should have lowered by 2.41% year on-year.

5. A shareholder expressed his concerns on RMB clearing business and noticed from the press on the hope for a potential full convertibility of RMB in the next 5 years. He wondered if the ever-expanding RMB transaction volume would exceed the capacity of BOCHK's clearing capability and the Group's strategy on retaining its competitive edge.

CE He indicated that it would be difficult to predict any policies which have yet to be promulgated. He fully understood shareholders' concerns on Clearing Bank's function. Yet, the management, on one hand, maintained its focus on Clearing Bank's services with the aim to attract financial institutions and corporate customers for their continual participation in the RMB offshore centre in Hong Kong, while on the other hand, emphasis was put on promoting RMB business to the Bank's customers. In terms of revenue, RMB business to customers should be more attractive. Notwithstanding that, the Group would pay adequate focus on these two business areas and continue to promote relevant business development.

6. A shareholder enquired about the Group's position on promoting RMB investment business in 2013 and the measures to be taken to foster the competitive advantage of the Group.

   CE He expressed his appreciation to the shareholder's concerns on RMB business. He opined that development of RMB business would be an on-going process. The coverage for RMB business in Hong Kong was extensive, including services rendered to individual customers, corporate customers and financial institutions. From the Clearing Bank's functional perspective, more than 200 overseas financial institutions maintained accounts with the Bank. Meanwhile, the Group had proactively developed and acquired a considerable market share in various business areas including RMB placements, securities business and foreign exchange. Since 2013, RMB related life insurance business achieved very good development. In light of the promising RMB business outlook, the Group has launched a RMB high yield bond fund recently. Further, the Group's asset management company, which undertook RMB fund management business, has successfully launched a fund with subscription amount exceeding HK$1 billion within a month. Shareholders could observe RMB fund management business if interested.

7. A shareholder expressed that the dividend payout for this year was relatively higher than that of last year and wondered if this would cause any pressure on dividend payout in future.

   CE He advised that the Board and management would take into consideration of various factors when declared dividend, including dividend amount per share and dividend payout ratio. With the relatively stable dividend payout ratio, the level of dividend payment was closely related to the performance of a company's operating results. With a growth in the operating results to be achieved, the dividend amount would also be increased. The management would continue to strive for achieving better shareholders' return.

8. In relation to the re-election of Mr. Li Lihui, Mr. Gao Yingxin, Mr. Shan Weijian and Mr. Ning Gaoning as Directors under Resolution 3, a shareholder noticed the relatively low attendance rate of Mr. Ning in the Board and Board Committee meetings as delineated in the 2012 Annual Report of the Company. He enquired the reason for re-electing Mr. Ning as Director.

   Secretary Chan Chun Ying indicated that Mr. Ning was appointed as the Company's Independent Non-executive Director and a member of Strategy and Budget Committee on 24 August 2012. Mr. Ning was unable to attend the Company's meetings following his appointment in August due to conflict with his business schedule. Yet, Mr. Ning has well received all documents and meeting materials of the Board and relevant Board Committee, as well as various reports relating to the Company's business operations. Also, Mr. Ning has continued to pay close attention to the business affairs of the Company and maintained communication with the Company as well. Since 2013, Mr. Ning attended the Company's Board and Board Committee meetings and relevant attendance records would be disclosed in 2013 Annual Report for shareholders' perusal.

9. Further, a shareholder expressed her opinion and recommendations on the Group's travel insurance business and the management made corresponding responses to respective circumstances. The shareholder has left her contact details to the Company for taking follow-up actions.