

**BANK OF CHINA LIMITED**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*



**U.S.\$500,000,000 per cent Floating Rate Notes due 2022**

issued under the

**U.S.\$40,000,000,000 Medium Term Note Programme**

These Listing Particulars (the “**Listing Particulars**”) are prepared in connection with the U.S.\$40,000,000,000 Medium Term Note Programme (the “**Programme**”) established by Bank of China Limited (the “**Bank**”), and the U.S.\$500,000,000 Floating Rate Notes due 2022 (the “**Notes**”) issued by Bank of China Limited, Luxembourg Branch (the “**Issuer**”) on 17 April 2019 under the Programme. The Offering Circular in respect of the Programme dated 4 April 2019 (the “**Offering Circular**”), is set out in Annex A hereto and forms part of these Listing Particulars. Terms defined in the Offering Circular have the same meaning when used in these Listing Particulars.

Pursuant to the Approval by the Enterprise Borrowing Foreign Debt Registration Certificate of 2019 (《企业借用外债备案登记证明》(发改办外资备[2019]51号)) issued by the NDRC General Office on 24 January 2019 (the “**NDRC Approval**”), the Bank is not required to complete the pre issuance registration in respect of the Notes with the NDRC as the Notes will be issued within the NDRC Approval.

An application has been made to the Luxembourg Stock Exchange (the “**LuxSE**”) in its capacity as competent authority under Part IV of the Luxembourg Law dated 10 July 2005 on prospectus for securities, as amended (the “**Prospectus Law**”) and the rules and regulations of the LuxSE (the “**LuxSE Rules**”) to approve these Listing Particulars as a prospectus. An application has also been made for the Notes to be admitted to trading on the Euro MTF market, which is a market operated by the LuxSE, and listed on the Official List of the LuxSE (the “**Official List**”). The Euro MTF market is not a regulated market pursuant to the provisions of the Directive 2004/39/EC. This Prospectus comprises information about the Issuer and the Notes for the purposes of Part 2 of the LuxSE Rules.

These Listing Particulars do not constitute a prospectus for the purposes of article 3 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). This Prospectus may only be used for the purposes for which it has been published.

The Notes may not be offered to the public or indirectly to the public unless the requirements of the Prospectus Law have been satisfied.

The LuxSE assumes no responsibility on the correctness of any of the statements made or opinions expressed or reports contained in these Listing Particulars. Admission to trading on the Euro MTF market and listing on the Official List of the LuxSE is not to be taken as an indication of the merits of the Issuer or the Notes. The Issuer accepts responsibility for the information contained in the Offering Circular and these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The financial information and tables containing such information as at and for the years ended 31 December 2016, 31 December 2017 and 2018 included in the sections “Capitalisation”, “Description of the Bank”, “Risk Management” and “Description of the Group’s Assets and Liabilities” in the Offering Circular have been derived from the audited consolidated financial statements of the Group (as defined herein).

Moody’s Investor Service, Inc. (“**Moody’s**”) is expected to assign a rating of “A1” to the Notes and Fitch Ratings Ltd. (“**Fitch**”) is expected to assign a rating of “A” to the Notes and S&P Global Ratings (“**S&P**”) is expected to assign a rating of “A” to the Notes. Each of Moody’s, Fitch and S&P is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at anytime by the assigning rating agency.

The Notes will be issued in registered form and will be represented by a global certificate in registered form without interest coupons registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank S.A./N.V. and Clearstream Banking, S.A.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in these Listing Particulars and the merits and risks of investing in the Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Notes.

Investors should not purchase the Notes unless they understand and are able to bear risks associated with the Notes. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations in respect of the Notes are discussed under “*Risk Factors*” in the Offering Circular.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction. Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. Persons. Accordingly, the Notes are being offered only outside the United States to non-U.S. person in offshore transactions in reliance on Regulation S under the Securities Act. See “*Subscription and Sale*” in the Offering Circular.

Application has been made to the Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong only.

The documents incorporated by reference in these Listing Particulars will be published on the website of the LuxSE ([www.bourse.lu](http://www.bourse.lu)). For the avoidance of doubt, the content of the websites included in these Listing Particulars are for information purposes only and does not form part of these Listing Particulars.

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*Managers*

|  |   |   |  |  |                                    |
|--|---|---|--|--|------------------------------------|
| <b>Bank of<br/>China<br/>Limited</b>                     | <b>Citigroup Global<br/>Markets Limited</b> | <b>Commerzbank<br/>Aktiengesellschaft</b> | <b>Credit Agricole<br/>Corporate and<br/>Investment Bank</b> | <b>ING Bank N.V.,<br/>Singapore Branch</b> | <b>Standard Chartered<br/>Bank</b> |
| <b>Bank of<br/>China<br/>(Hong<br/>Kong)<br/>Limited</b> | <b>BOCI Asia<br/>Limited</b>                | <b>Mizuho Securities<br/>Asia Limited</b> | <b>Merrill Lynch<br/>(Asia Pacific)<br/>Limited</b>          | <b>BNP Paribas</b>                         |                                    |

**The date of these Listing Particulars is 17 April 2019.**

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Bank and the Issuer having made all reasonable enquiries confirms that to its best knowledge and belief (i) these Listing Particulars contains all information with respect to the Issuer, the Bank and its subsidiaries taken as a whole (the "**Group**") and the Notes which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer, the Bank, the Group and the Notes are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the Bank, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in these Listing Particulars misleading in any material respect; (iii) the statements of intention, opinion and belief or expectation contained in these Listing Particulars with regard to the Issuer, the Bank and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; and (iv) all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

Certain facts and statistics in the Offering Circular relating to the People's Republic of China (the "**PRC**"), its economy and its banking industry have been extracted from third party sources. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information however has not been independently verified by the Issuer, Bank of China Limited, Bank of China (Hong Kong) Limited, BOCI Asia Limited, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Mizuho Securities Asia Limited, Merrill Lynch (Asia Pacific) Limited, BNP Paribas and Standard Chartered Bank and ING Bank N.V., Singapore Branch (together, the "**Managers**"), the Trustee or the Principal Paying Agent, the Paying Agent, the Registrar, the Transfer Agent (together, the "**Agents**") or any of their respective directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

The Notes will be issued on the terms set out in the Offering Circular under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the pricing supplement of the Notes set out herein (the "**Pricing Supplement**").

The distribution of these Listing Particulars and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. None of the Issuer, the Bank or the Managers represents that these Listing Particulars or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Bank or the Managers, which would permit a public offering of any Notes or distribution of these Listing Particulars or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of these Listing Particulars, any Pricing Supplement

or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the Netherlands, the United Kingdom, the PRC, Hong Kong, Japan and Singapore, and to persons connected therewith.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

**The Notes may be offered or sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S.**

**For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of these Listing Particulars, see “*Subscription and Sale*” in the Offering Circular.**

These Listing Particulars is to be read in conjunction with all documents, which are deemed to be incorporated in the Offering Circular by reference (see “*Information Incorporated by Reference*” in the Offering Circular. These Listing Particulars shall be read and construed on the basis that such documents are incorporated and form part of these Listing Particulars. Hyperlinks included in these Listing Particulars, or included in any documents incorporated by reference into these Listing Particulars, and the websites and their content are not incorporated into, and do not form part of, these Listing Particulars.

Listing of the Notes on LuxSE is not to be taken as an indication of the merits of the Issuer, the Bank, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Bank, the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” in the Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes. The risks and investment considerations identified in the Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

No person has been authorised by the Issuer, the Bank or the Managers to give any information or to make any representation not contained in or not consistent with these Listing Particulars or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Bank or any Manager.

Neither the delivery of these Listing Particulars or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in these Listing Particulars is true subsequent to the date hereof or the date upon which these Listing Particulars has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which these Listing Particulars has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither these Listing Particulars nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Bank, the Managers, the Trustee, the Agents or any director, officer, employee, advisor, representative, agent or affiliate of any such person or any of them that any recipient of these Listing Particulars or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of these Listing Particulars or any Pricing Supplement shall be taken to have

made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Bank and the Group.

**In connection with the issue of the Notes, any of the Managers appointed and acting in its capacity as stabilising manager in the Pricing Supplement (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.**

None of the Managers, the Trustee or any Agents has separately verified the information contained in these Listing Particulars. To the fullest extent permitted by law, none of the Managers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in these Listing Particulars. To the fullest extent permitted by law, none of the Managers, the Trustee or any Agent or any director, officer, employee, advisor, representative, agent or affiliate of any such person accepts any responsibility for the contents of these Listing Particulars or for any other statement made or purported to be made by the Managers, the Trustee, any Agent, or any director, officer, employee, advisor, representative, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Notes or the issue and offering of the Notes. The Managers, the Trustee and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of these Listing Particulars or any such statement.

These Listing Particulars do not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in these Listing Particulars and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither these Listing Particulars nor any other information provided or incorporated by reference in connection with the Programme or the Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Agents or any director, officer, employee, advisor, representative, agent or affiliate of any such person that any recipient, of these Listing Particulars or of any such information, should purchase the Notes. Each potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Bank and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in these Listing Particulars and its purchase of Notes should be based upon such investigation, as it deems necessary. None of the Managers, the Trustee or the Agents or any director, officer, employee, advisor, representative, agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer, the Bank or the Group during the life of the arrangements contemplated by these Listing Particulars nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers, the Trustee, the Agents or any of them.

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## **DOCUMENTS INCORPORATED BY REFERENCE**

These Listing Particulars is to be read in conjunction with all documents, which are deemed to be incorporated in the Offering Circular by reference (see “*Information Incorporated by Reference*” in the Offering Circular) including the pages 8 and 9 thereto relating to the summary of the financial statements. These Listing Particulars shall be read and construed on the basis that such documents are incorporated and form part of these Listing Particulars. The documents incorporated by reference will be published on the LuxSE website: [www.bourse.lu](http://www.bourse.lu) and will be available free of charge at the specified office of the Issuer at 37/39 Boulevard du Prince Henri, L-1724 Luxembourg and the specified office of the Principal Paying Agent at The Bank of New York Mellon, London Branch, 40th Floor, One Canada Square, London E14 5AL, United Kingdom.

## PRICING SUPPLEMENT



## PRICING SUPPLEMENT

Pricing Supplement dated 10 April 2019

Bank of China Limited, Luxembourg Branch

Issue of U.S.\$500,000,000 Floating Rate Notes due 2022

under the U.S.\$40,000,000,000 Medium Term Note Programme

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the offering circular dated 4 April 2019 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular as so supplemented and the additional disclosure relevant to the Notes in Schedules thereof.

|     |                                   |   |
|-----|-----------------------------------|---|
| 1.  | Issuer:                           | Bank of China Limited, Luxembourg Branch  |
|     |                                   | For a brief description of the Issuer, see Schedule 1 to this Pricing Supplement. |
| 2.  | (i) Series Number:                | 86  |
|     | (ii) Tranche Number:              | 001   |
| 3.  | Specified Currency or Currencies: | United States dollars ("U.S.\$")  |
| 4.  | Aggregate Nominal Amount:         | U.S.\$500,000,000   |
|     | (i) Series:                       | U.S.\$500,000,000   |
|     | (ii) Tranche:                     | U.S.\$500,000,000   |
| 5.  | (i) Issue Price:                  | 100.00 per cent. of the Aggregate Nominal Amount                                  |
|     | (ii) Net Proceeds                 | Approximately U.S.\$ 499,600,000  |
| 6.  | (i) Specified Denominations:      | U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof             |
|     | (ii) Calculation Amount:          | U.S.\$1,000   |
| 7.  | (i) Issue Date:                   | 17 April 2019   |
|     | (ii) Interest Commencement Date:  | Issue Date  |
| 8.  | Status of the Notes               | Senior  |
| 9.  | Maturity Date:                    | The Interest Payment Date falling on or nearest to 17 April 2022                  |
| 10. | Interest Basis:                   | 3-month LIBOR + 0.72 per cent. Floating Rate                                      |

(further particulars specified below)

- |     |  |  |
|-----|--|--|
| 11. | Redemption/Payment Basis:  | Redemption at par  |
| 12. | Change of Interest or Redemption/Payment Basis:                    | Not Applicable   |
| 13. | Put/Call Options:  | Not Applicable   |
| 14. | Listing:   | <p>Application has been made to the Luxembourg Stock Exchange (Société de la Bourse de Luxembourg) for the Notes to be admitted to trading on the Euro MTF market which is a market operated by the Luxembourg Stock Exchange (Société de la Bourse de Luxembourg) and listed on the Official List of the Luxembourg Stock Exchange.</p> <p>Expected effective listing date of the Notes on the Luxembourg Stock Exchange is 18 April 2019.</p> <p>Application has been made to The Stock Exchange of Hong Kong Limited ("<b>Hong Kong Stock Exchange</b>").</p> <p>Expected effective listing date of the Notes on the Hong Kong Stock Exchange is 18 April 2019.</p> |
| 15. | (i) Date of approval for issuance of Notes obtained:               | Board approval: 29 March 2018<br>Shareholders' approval: 28 June 2018  |
|     | (ii) Date of regulatory approval(s) for issuance of Notes obtained | NDRC pre-issuance registration: Pursuant to the Approval by the Enterprise Borrowing Foreign Debt Registration Certificate of 2019 (《企业借用外债备案登记证明》(发改办外资备[2019]51号)) issued by the NDRC General Office on 24 January 2019 (the " <b>NDRC Approval</b> "), Bank of China Limited (the " <b>Bank</b> ") is not required to complete the pre issuance registration in respect of the Notes with the NDRC as the Notes will be issued within the NDRC Approval.  |
| 16. | Method of distribution:  | Syndicated   |

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |     |                                      |  |
|-----|--------------------------------------|--|
| 17. | <b>Fixed Rate Note Provisions</b>    | Not Applicable   |
| 18. | <b>Floating Rate Note Provisions</b> | Applicable   |
|     | (i) Interest Period(s):              | Each period beginning on (and including) the Interest Commencement Date or any Specified Interest Payment Date and ending on (but excluding) |

- the next Specified Interest Payment Date, subject to adjustment in accordance with the Business Day Convention set out in (v) below
- (ii) Specified Period: Not Applicable
- (iii) Specified Interest Payment Dates: 17 January, 17 April, 17 July and 17 October in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below.
- (iv) First Interest Payment Date: The Specified Interest Payment Date falling on or nearest to 17 July 2019
- (v) Business Day Convention: Modified Following Business Day Convention
- (vi) Additional Business Centre(s): Luxembourg
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: Screen Rate Determination
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): The Principal Paying Agent shall be the Calculation Agent
- (ix) Screen Rate Determination:
- Reference Rate: LIBOR
  - Interest Determination Date(s): Two London business days prior to the commencement of the next Interest Period
  - Relevant Screen Page: Reuters LIBOR01
  - Relevant Time: 11.00 a.m. London time
  - Relevant Financial Centre: New York, London
- (x) ISDA Determination: Not Applicable
- (xi) Margin(s): +0.72 per cent. per annum
- (xii) Minimum Rate of Interest: Not Applicable
- (xiii) Maximum Rate of Interest: Not Applicable
- (xiv) Day Count Fraction: Actual/360
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: The following paragraph shall be added as a new Condition 7(j):
- (j) **Benchmark Replacement:** In addition, notwithstanding the provisions above in this Condition 7 (*Floating Rate Note Provisions*), if the Issuer determines that a Benchmark Event (as defined below) has occurred in relation to the

relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine (acting in a reasonable manner), no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “**IA Determination Cut-off Date**”), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(j) (*Benchmark Replacement*)); provided, however, that if sub-paragraph (ii) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest

shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin (as defined below) that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(j) (*Benchmark Replacement*));

- (iv) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Principal Paying Agent shall, at the direction and expense of

the Issuer, effect such consequential amendments to Non-Guaranteed Notes Principal Agency Agreement these Conditions as may be required in order to give effect to this Condition 7(j) (*Benchmark Replacement*). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Principal Paying Agent (if required); and

- (v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

For the purposes of this Condition 7(j) (*Benchmark Replacement*):

“**Adjustment Spread**” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in

the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate;

“**Alternative Reference Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

“**Benchmark Event**” means, in respect of a Reference Rate:

- (i) such Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist;
- (ii) a public statement by the administrator of such Reference Rate that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);
- (iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely

discontinued;

- (iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (v) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate;

“**Independent Adviser**” means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

“**Relevant Nominating Body**” means, in respect of a reference rate:

- (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

“**Successor Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

19. **Zero Coupon Note Provisions** Not Applicable

20. **Dual Currency Note Provisions** Not Applicable

#### **PROVISIONS RELATING TO REDEMPTION**

21. **Call Option** Not Applicable



- |     |   |                                    |
|-----|---|------------------------------------|
| 22. | <b>Put Option</b>                           | Not Applicable                     |
| 23. | <b>Change of Control Put</b>                | Not Applicable                     |
| 24. | <b>Final Redemption Amount of each Note</b> | U.S.\$1,000 per Calculation Amount |
| 25. | <b>Early Redemption Amount</b>              | U.S.\$1,000 per Calculation Amount |

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, change of control or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |     |   |   |
|-----|---|---|
| 26. | <b>Form of Notes:</b>   | <b>Registered Notes:</b><br><br>Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate |
| 27. | Additional Financial Centre(s) or other special provisions relating to payment dates:   | Luxembourg  |
| 28. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):   | Not Applicable  |
| 29. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable  |
| 30. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:  | Not Applicable  |
| 31. | Redenomination, renominatisation and reconventioning provisions:  | Not Applicable  |
| 32. | Consolidation provisions:   | The provisions in Condition 21 ( <i>Further Issues</i> ) apply  |
| 33. | Any applicable currency disruption/fallback provisions:   | Not Applicable  |
| 34. | Other terms or special conditions:  | Not Applicable  |

## DISTRIBUTION

35. (i) If syndicated, names of Managers: Bank of China Limited, Bank of China (Hong Kong) Limited, BOCI Asia Limited, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Mizuho Securities Asia Limited, Merrill Lynch (Asia Pacific) Limited, Commerzbank Aktiengesellschaft and ING Bank N.V., Singapore Branch (the "**Joint Lead Managers**")
- BNP Paribas and Standard Chartered Bank (the "**Co-Managers**", and together with the Joint Lead Managers, the "**Managers**")
- (ii) Stabilising Manager(s) (if any): Any of the Managers appointed and acting in its capacity as stabilising manager
36. If non-syndicated, name and address of Dealer: Not Applicable
37. U.S. Selling Restrictions: Reg. S Category 2; TEFRA not applicable
38. Prohibition of Sales to EEA Retail Investors: Not Applicable
39. Additional selling restrictions: Italy – please refer to Schedule 3 to this Pricing Supplement

## OPERATIONAL INFORMATION

40. ISIN Code: XS1978205869
41. Common Code: 197820586
42. Legal Entity Identifier: 54930053HGCFWVHYZX42
43. CUSIP: Not Applicable
44. CMU Instrument Number: Not Applicable
45. Any clearing system(s) other than Euroclear/Clearstream Luxembourg, DTC and the CMU Service and the relevant identification number(s): Not Applicable
46. Delivery: Delivery against payment
47. Trustee: The Bank of New York Mellon, London Branch
48. Additional Paying Agent(s) (if any): Not Applicable
49. Alternative Trustee (if any): Not Applicable

## GENERAL

50. Translation of the aggregate principal amount of Notes issued: Not Applicable

51. Ratings: The Notes to be issued are expected to be rated:  
Moody's: A1;  
Fitch: A; and  
S&P: A.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes.

## **STABILISING**

In connection with this issue, any of the Managers appointed and acting in its capacity as stabilising manager (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may overallocate Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

## **PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for issue and admission to trading on (i) the Hong Kong Stock Exchange and (ii) the Euro MTF market operated by the Luxembourg Stock Exchange and listing on the official list of the Notes described herein pursuant to the U.S.\$40,000,000,000 Medium Term Note Programme of Bank of China Limited.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

The Issuer acknowledges that it will be bound by the provisions of the Trust Deed.

Signed on behalf of Bank of China Limited, Luxembourg Branch

By:   
*Duly authorised*

## SCHEDULE 1 – ADDITIONAL DISCLOSURE

### Description of the Branch

In July 1979, the Bank established a branch office in Luxembourg. This was the first Chinese financial institution in Luxembourg.

The Issuer is authorised and regulated by the China Banking Regulatory Commission, and its registered office is at 37/39 Boulevard du Prince Henri L-1724. It is also authorised in Luxembourg according to article 32 of the law of 5 April 1993 on the financial sector, as amended and is subject to the supervision of the Commission de Surveillance du Secteur Financier (the “CSSF”).

### Regulated Activities

The Issuer is authorised by the CSSF to carry out the following activities in Luxembourg in respect of certain financial instruments and categories of customers:

- accepting deposits;
- agreeing to carry out regulated activities;
- arranging (bringing about) deals in investments, loans;
- dealing in investment as agent; and
- dealing in investment as principal.

The Issuer appears on the list of the entities authorised and supervised by the CSSF which is available on the Luxembourg regulator’s website: [www.cssf.lu](http://www.cssf.lu)

### Overview of the Commission de Surveillance du Secteur Financier<sup>1</sup>

The CSSF is the supervisory authority of the Luxembourg financial sector.

The CSSF is responsible for the prudential supervision of credit institutions, professionals of the financial sector (investment firms, specialised professionals of the financial sector (“PFS”), support PFS), management companies, alternative investment fund managers, undertakings for collective investment, pension funds, société d’investissement en capital à risque (SICARs), authorised securitization undertakings, fiduciary-representatives having dealings with a securitisation undertaking, regulated markets and their operators, multilateral trading facilities, payment institutions and electronic money institutions. It also supervises the securities markets, including their operators.

The CSSF performs its duties of prudential supervision and supervision of the markets for the purposes of ensuring the safety and soundness of the financial sector, solely in the public interest. Within the limits of its remit, it ensures that the authorised entities and the issuers are complying with the regulations applicable to them, including those aiming to ensure the protection of the financial consumers and the prevention of the use of the financial sector for the purposes of money laundering or terrorist financing. The CSSF represents Luxembourg in the area of European and international supervision.

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<sup>1</sup> Information on the CSSF has been extracted from the website of the CSSF ([www.cssf.lu](http://www.cssf.lu)).

In pursuing its objectives, the CSSF applies a prudential approach in line with the international standards, in accordance with the principle of proportionality. This approach is implemented in a professional manner, thereby ensuring an independent, forward-looking and risk-based supervision.

The CSSF is transparent and fosters effective communication with the stakeholders of the financial sector while fully complying with the professional secrecy requirements. It considers integrity and accountability to be of utmost importance and delivers on its commitment and adapts to reach its objectives. The CSSF is committed to good governance and to performing its tasks with efficiency, in a spirit of internal cooperation as well as at national, European and international level.

The CSSF is, within the limits of its statutory powers, in charge of promoting transparency, simplicity and fairness on the markets of financial products and services.

The CSSF is the national resolution authority and performs the tasks arising from Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and Regulation (EU) No 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

The CSSF is in charge of ensuring compliance with the professional obligations regarding the fight against money laundering and terrorist financing by all the persons subject to its supervision.

The CSSF has a whole range of significant measures to act against persons subject to its supervision that would violate the applicable regulations relating to the financial sector or that would not comply with the professional obligations imposed on them.

The CSSF cooperates with the Banque Centrale du Luxembourg, the European supervisory authorities and the other supervisory authorities and resolution authorities at the European and international level

## SCHEDULE 2 – TAXATION

### **Luxembourg**

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

### **Withholding Tax**

Under Luxembourg tax law currently in effect and subject to the exception below, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

### **Income Taxation on Principal, Interest, Gains on Sales or Redemption**

#### *Luxembourg tax residency of the Noteholders*

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

#### *Taxation of Luxembourg non-residents*

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

#### *Taxation of Luxembourg residents*

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Interest received by an individual resident in Luxembourg is, in principle, reportable and taxable at the progressive rate unless the interest has been subject to withholding tax (see above “**Withholding Tax**”) or to the self-applied tax, if applicable. Indeed, in accordance with the Luxembourg law of 23 December 2005, as amended, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg or a Member State of the European Economic Area other than an EU Member State.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth. Individual Luxembourg resident Noteholders receiving the interest as business income must include this interest in their taxable basis. If applicable, the 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 20 per cent. Withholding Tax or the self-applied tax, if applicable. Individual Luxembourg resident Noteholders receiving the interest as business income must include the portion of the price corresponding to this interest

in their taxable income. The 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident corporate Noteholders, or non-resident Noteholders which have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, must for income tax purposes include in their taxable income any interest (including accrued but unpaid interest) as well as the difference between the sale or redemption price and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident corporate Noteholders which are companies benefiting from a special tax regime (such as family wealth management companies subject to the law of 11 May 2007 as amended, undertakings for collective investment subject to the law of 17 December 2010, as amended, specialised investment funds subject to the law of 13 February 2007, as amended, or reserved alternative investment funds (“RAIFs”) governed by the law of 23 July 2016, as amended, provided it is not foreseen in the incorporation documents of such RAIFs that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

#### **Net Wealth tax**

Luxembourg net wealth tax will not be levied on the Notes held by a corporate Noteholder, unless (a) such Noteholder is a Luxembourg resident other than a Noteholder governed by (i) the law of 17 December 2010 on undertakings for collective investment, as amended; (ii) the law of 13 February 2007 on specialised investment funds, as amended; (iii) the law of 22 March 2004 on securitisation, as amended; (iv) the law of 15 June 2004 on the investment company in risk capital, as amended; (v) the law of 11 May 2007 on family estate management companies, as amended; or (vi) the law of 23 July 2016 on the reserved alternative investment funds, as amended or (b) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

No Luxembourg net wealth tax will be levied on the Notes held by an individual Noteholder.

#### **Other taxes**

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Notes, unless the documents relating to the Notes are voluntarily registered in Luxembourg or appended to a document that requires obligatory registration in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer or the Guarantor, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes. No Luxembourg gift tax is levied upon a gift or donation of the Notes, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.



### SCHEDULE 3 – SELLING RESTRICTIONS

#### Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each of the Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of the Listing Particulars and any other document relating to the Notes in the Republic of Italy except:

- (1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
- (2) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB, the Bank of Italy and/or any other Italian authority.

#### *Provisions relating to the secondary market in the Republic of Italy*

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy, Article 100- bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

## OTHER INFORMATION

### Authorisation

The issue of the Notes was authorised by the Board of the Issuer on 29 March 2018 and by the Shareholders of the Issuer on 28 June 2018.

### Listing

For complete information the expected listing date of the Notes on the Official List of the LuxSE and admission to trading on the Euro MTF market shall be 24 April 2019 and not 18 April 2019 as indicated in the Pricing Supplement.

### Documents on Display

So long as the Notes are listed in the Official List of the LuxSE and admitted to trading on the Euro MTF market and the LuxSE Rules so require, copies of the following documents are available free of charge or may be inspected during normal business hours at the registered office of the Issuer at 37/39 Boulevard du Prince Henri, L-1724 Luxembourg and the specified office of the Principal Paying Agent at The Bank of New York Mellon, London Branch, 40th Floor, One Canada Square, London E14 5AL, United Kingdom:

- (i) the articles of association of the Bank;
- (ii) the audited consolidated financial statements of the Bank for the years ended 31 December 2017 and 2018, respectively;
- (iii) copies of the latest annual report and audited annual consolidated financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Bank;
- (iv) these Listing Particulars;
- (v) the Trust Deed (which contains the forms of the Notes in global and definitive form);
- (vi) the Agency Agreement;
- (vii) the Dealer Agreement; and
- (viii) the Programme Manual.

### Notices regarding the Notes

In respect of Notes admitted to trading on a market operated by the LuxSE and listed in the Official List of the LuxSE and as long as the rules of such exchange so require, all notices regarding the Notes will be published in a Luxembourg daily newspaper with general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the LuxSE website ([www.bourse.lu](http://www.bourse.lu)).

### Statement on Prospect

The Bank expects its business operations and financial performance in the year of 2019 to be in line with trends displayed in the year of 2018.

**ANNEX A**

**OFFERING CIRCULAR DATED 4 April 2019**

# BANK OF CHINA LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)



## U.S.\$40,000,000,000 Medium Term Note Programme

Under the U.S.\$40,000,000,000 Medium Term Note Programme described in this Offering Circular (the "Programme"), Bank of China Limited (the "Bank") or such branch of the Bank (including Bank of China Limited, Hong Kong Branch) (each a "Branch Issuer") or such subsidiary of the Bank (each a "Subsidiary Issuer"), as specified in the applicable Pricing Supplement (each an "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "Notes"). Notes issued by a Subsidiary Issuer may be unconditionally and irrevocably guaranteed ("Guarantee of the Notes") by a branch of the Bank (each an "Overseas Branch") and a "Guarantor" as specified in the relevant Pricing Supplement (the "Guaranteed Notes"). References herein to the "Relevant Obligor(s)" are to the relevant Issuer, and, in the case of any Guaranteed Notes, each of the relevant Issuer and the relevant Guarantor.

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$40,000,000,000 (or its equivalent in other currencies, subject to any duly authorised increase). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" or any additional Dealer appointed under the Programme from time to time by an Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Non-Guaranteed Notes are constituted by, are subject to, and have the benefit of, an amended and restated trust deed dated 3 April 2018 (as further amended or supplemented from time to time), the "Non-Guaranteed Notes Principal Trust Deed" between the Bank (on behalf of itself and each Branch Issuer) and The Bank of New York Mellon, London Branch as trustee (the "Trustee") and are the subject of an amended and restated issue and paying agency agreement dated 3 April 2018 (as further amended or supplemented from time to time), the "Non-Guaranteed Notes Principal Agency Agreement" between the Bank (on behalf of itself and each Branch Issuer), the Trustee and the agents named therein. In order for a Subsidiary Issuer to issue Non-Guaranteed Notes, such Subsidiary Issuer shall, in respect of such Non-Guaranteed Notes, (A) accede to the Non-Guaranteed Notes Principal Trust Deed by executing an accession deed between such Subsidiary Issuer and the Trustee or supplement the Non-Guaranteed Notes Principal Trust Deed by executing a supplemental trust deed between such Subsidiary Issuer, the Bank and the Trustee, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Non-Guaranteed Notes Principal Trust Deed, the "Non-Guaranteed Notes Trust Deed") and (B) accede to the Non-Guaranteed Notes Principal Agency Agreement by executing an accession agreement between such Subsidiary Issuer, the Trustee and the agents named therein or supplement the Non-Guaranteed Notes Principal Agency Agreement by executing a supplemental agency agreement between such Subsidiary Issuer, the Bank, the Trustee and the agents named therein, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Non-Guaranteed Notes Principal Agency Agreement, the "Non-Guaranteed Notes Agency Agreement").

Guaranteed Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 3 April 2018 (as amended or supplemented from time to time), the "Guaranteed Notes Principal Trust Deed" between the Bank (on behalf of itself as Issuer and each Overseas Branch as Guarantor) and the Trustee and are the subject of an issue and paying agency agreement dated 3 April 2018 (as amended or supplemented from time to time), the "Guaranteed Notes Principal Agency Agreement" between the Bank (on behalf of itself and each Branch Issuer), the Trustee and the agents named therein. In order for a Subsidiary Issuer to issue Guaranteed Notes, such Subsidiary Issuer shall, in respect of such Guaranteed Notes, (A) accede to the Guaranteed Notes Principal Trust Deed by executing an accession deed between such Subsidiary Issuer and the Trustee or supplement the Guaranteed Notes Principal Trust Deed by executing a supplemental trust deed between such Subsidiary Issuer, the Bank and the Trustee, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Guaranteed Notes Principal Trust Deed, the "Guaranteed Notes Trust Deed") and (B) accede to the Guaranteed Notes Principal Agency Agreement by executing an accession agreement between such Subsidiary Issuer, the Trustee and the agents named therein or supplement the Guaranteed Notes Principal Agency Agreement by executing a supplemental agency agreement between such Subsidiary Issuer, the Bank, the Trustee and the agents named therein, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Guaranteed Notes Principal Agency Agreement, the "Guaranteed Notes Agency Agreement").

Notes issued by the Bank may be constituted by, are subject to, and have the benefit of either the Non-Guaranteed Notes Principal Trust Deed or the Guaranteed Notes Principal Trust Deed as specified in the relevant Pricing Supplement, and are the subject of the Non-Guaranteed Notes Principal Agency Agreement (in case of Notes constituted by the Non-Guaranteed Notes Principal Trust Deed) or the Guaranteed Notes Principal Agency Agreement (in case of Notes constituted by the Guaranteed Notes Principal Trust Deed).

Without prejudice to the foregoing, if the relevant Pricing Supplement specifies that an alternative trustee shall be appointed for a relevant Tranche of Notes, such Tranche of Notes shall be constituted by a deed (as further amended or supplemented from time to time), the "Alternative Trust Deed" between the relevant Issuer (and in the case of Notes issued by a Branch Issuer or a Subsidiary Issuer, the Bank) and the specified alternative trustee (the "Alternative Trustee") incorporating the Non-Guaranteed Notes Principal Trust Deed or the Guaranteed Notes Principal Trust Deed, as the case may be. The Alternative Trustee shall be the Trustee for the purposes of the Conditions applicable to such Tranche of Notes. Neither the Non-Guaranteed Notes Principal Agency Agreement nor the Guaranteed Notes Principal Agency Agreement shall apply to such Tranche of Notes and such alternative arrangement (the "Alternative Agency Agreement") as specified in such Pricing Supplement shall apply.

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank or registration will be completed by the Bank pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號) issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules and policies thereof as issued by the NDRC from time to time (the "NDRC Circular"). After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC.

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. This Offering Circular is for distribution to Professional Investors only. Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved.

The Notes are only suitable for Professional Investors. The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Relevant Obligor(s) or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined under "Terms and Conditions of the Notes") and each term therein, a "Condition" of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Series. This Offering Circular may not be used to consummate sales of Notes, unless accompanied by a Pricing Supplement.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or any other stock exchange.

Each Series (as defined in "Summary of the Programme") of Notes in bearer form ("Bearer Notes") will be represented on issue by a temporary global note (each a "Temporary Global Note"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "Securities Act"). Interests in Temporary Global Notes generally will be exchangeable for permanent global notes (each a "Permanent Global Note") and, together with the Temporary Global Notes, the "Global Notes", or if so stated in the relevant Pricing Supplement, definitive Notes ("Definitive Notes"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Series, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "Summary of Provisions Relating to the Notes while in Global Form".

The Notes of each Series to be issued in registered form ("Registered Notes") and which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes") will initially be represented by a permanent registered global note certificate (each an "Unrestricted Global Note Certificate") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg"), with a common depository on behalf of Euroclear and Clearstream, Luxembourg, (b) in the case of a Series intended to be cleared through the Central Money Markets Unit Service (the "CMU Service"), operated by the Hong Kong Monetary Authority (the "HKMA"), with a sub-custodian for the CMU Service, (c) in the case of a Series intended to be cleared through The Depository Trust Company ("DTC"), registered in the name of Cede & Co. as nominee for DTC and (d) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, DTC and/or the CMU Service, or delivered outside a clearing system, as agreed between the relevant Issuer and the relevant Dealer. Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "QIB") within the meaning of Rule 144A ("Rule 144A") under the Securities Act, the "Restricted Notes") will initially be represented by a permanent registered global note certificate (each a "Restricted Global Note Certificate") and, together with the relevant Unrestricted Global Note Certificate, the "Global Note Certificates", without interest coupons, which may be deposited on the relevant issue date with a custodian (the "DTC Custodian") for, and registered in the name of Cede & Co. as nominee for, DTC or with a common depository on behalf of Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and Definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes and the Guarantee of the Notes, if applicable, have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Accordingly, the Notes are being offered and sold only (i) in the United States to QIBs as defined in Rule 144A and (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons. Registered Notes are subject to certain restrictions on transfer. Any Series of Notes may be subject to additional selling restrictions. The applicable pricing supplement in respect of such Series of Notes will specify any such restrictions. See "Subscription and Sale", "Transfer Restrictions" and the applicable Pricing Supplement.

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs/IMPOTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notes to be issued under the Programme may be Senior Notes or Subordinated Notes. Moody's Investor Service, Inc. ("Moody's"), Fitch Ratings Ltd. ("Fitch") and S&P Global Ratings ("S&P") have assigned a rating of "A1", "A" and "A-" to the Programme. Moody's is expected to rate Senior Notes issued under the Programme "A1" and Fitch and S&P are expected to rate Senior Notes issued under the Programme "A". Any rating assigned to Subordinated Notes issued under the Programme by Moody's, Fitch and/or S&P would be issued on a case-by-case basis for each Tranche of Subordinated Notes at drawdown. The rating is only correct as at the date of the Offering Circular. Notes issued under the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with the Notes. The principal risk factors that may affect the ability of the Relevant Obligor(s) to fulfil its obligations in respect of the Notes are discussed under "Risk Factors" below. See "Risk Factors" beginning on Page 11.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Relevant Obligor(s). The Relevant Obligor(s) each accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## Arranger and Dealer

### Bank of China

The date of this Offering Circular is 4 April 2019

The Bank (as to itself and the Group) and each Subsidiary Issuer (as to itself) having made all reasonable enquiries confirms that to its best knowledge and belief (i) this Offering Circular contains all information with respect to each Subsidiary Issuer and its subsidiaries (the “**Relevant Subsidiary Group**”), the Bank and its subsidiaries taken as a whole (the “**Group**”) and the Notes and the Guarantee of the Notes, as applicable, which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Bank, the Group, the Subsidiary Issuer, the Relevant Subsidiary Group and the Notes are in every material respect true and accurate and not misleading and there are no other facts in relation to the Bank, the Group, the Subsidiary Issuer, the Relevant Subsidiary Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, opinion and belief or expectation contained in this Offering Circular with regard to the Bank, the Group, the Subsidiary Issuer and the Relevant Subsidiary Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; and (iv) all reasonable enquiries have been made by the Bank and each Subsidiary Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Each Series (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” as amended and/or supplemented by the Pricing Supplement specific to such Series. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Relevant Obligor(s), the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Relevant Obligor(s), the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any Relevant Obligor, the Arrangers or the Dealers, which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan and Singapore, and to persons connected therewith.

**The Notes may be offered or sold (i) in the United States only to QIBs in transactions exempt from registration under the Securities Act, in which case each such purchaser must be able to make, and will be deemed to have made, certain acknowledgments, representations, warranties and agreements as set forth in this Offering Circular in respect of such Series of Notes, and/or (ii) outside the United States, to non-U.S. persons in offshore transactions in reliance on Regulation S. Any Series of Notes may be subject to additional selling restrictions. Any additional restrictions on the sale or transfer of any Series of Notes will be specified in the applicable Pricing Supplement for such Notes.**

**If Notes are being offered or sold to U.S. persons or in the United States, prospective investors are hereby notified that sellers of such Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Arranger and Dealer, through their respective selling agents, may arrange for the offer and resale of such Notes to U.S. persons or persons in the United States who are QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see “*Subscription and Sale*”.**

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

**MIFID II product governance/target market** – The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration such target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

**PRIIPs/IMPORTANT – EEA RETAIL INVESTORS** – If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Singapore Securities and Futures Act Product Classification:** Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, the “**SFA**”), unless otherwise specified before an offer of Notes, the Relevant Obligor(s) each has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular is to be read in conjunction with all documents, which are deemed to be incorporated herein by reference (see “*Information Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Bank, the Branch Issuer, the Subsidiary Issuer, the Group, the Relevant Subsidiary Group or the Notes. In making an investment decision, investors must rely on their own examination of the Bank, the Branch Issuer, the Subsidiary Issuer, the Group, the Relevant Subsidiary Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by any Relevant Obligor, any Arranger or any Dealer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by any Relevant Obligor, any Arranger or any Dealer.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has

been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the any Relevant Obligor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by any Relevant Obligor, the Arrangers, the Dealers, the Trustee, the Agents or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of each Relevant Obligor.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$40,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE RELEVANT ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISING MANAGER(S) TO DO THIS. SUCH STABILISATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

None of the Arrangers, the Dealers, the Trustee or any Agents has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee, any Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with any Relevant Obligor, the Notes or the issue and offering of the Notes. The Arrangers, the Dealers, the Trustee and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any Relevant Obligor or any of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each

potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Relevant Obligor(s), the Group and the Relevant Subsidiary Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation, as it deems necessary. None of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person undertakes to review the financial condition or affairs of the Relevant Obligor(s), the Group or the Relevant Subsidiary Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “Bank” are to Bank of China Limited, all references herein to the “Issuer” are to the Bank, the relevant Branch Issuer or the relevant Subsidiary Issuer, as the case may be, all references to the “Relevant Obligor(s)” are to the relevant Issuer, and, in the case of Guaranteed Notes, each of the relevant Issuer and the relevant Guarantor, all references to “U.S.\$”, “USD” and to “U.S. dollars” are to United States dollars; all references to “HK\$” and to “HKD” are to Hong Kong dollars; all references to “pounds sterling” and “£” are to the currency of the United Kingdom; all references to “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended; all references to “yen” are to Japanese yen; all references to “Renminbi”, “CNH”, “RMB” and “CNY” are to the currency of the PRC; all references to “United States” or “U.S.” are to the United States of America; references to “China”, “Mainland China”, “Chinese Mainland” and the “PRC” in this Offering Circular mean the People’s Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to “PRC Government” mean the government of the PRC; references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “Macau” are to the Macao Special Administrative Region of the People’s Republic of China; references to “Taiwan” are to Taiwan, province of China and all references to “United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland.

## FORWARD-LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Description of the Bank*” and elsewhere in this Offering Circular constitute “*forward looking statements*”. The words including “*believe*”, “*expect*”, “*plan*”, “*anticipate*”, “*schedule*”, “*estimate*”, “*aim*”, “*intend*”, “*project*”, “*seek to*”, “*predict*”, “*future*”, “*goal*” and similar words or expressions identify forward looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group and the plans and objectives of the management of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group for its future operations (including development plans and objectives relating to the Group’s operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results or performance of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank’s, the Group’s, the Relevant Obligor(s) or the Relevant Subsidiary Group’s present and future business strategies of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group and the environment in which the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group will operate in the future. The Bank, the Group, the Relevant Obligor(s) and the Relevant Subsidiary Group expressly disclaim any obligation or undertaking to release any updates or revisions to any forward looking statements contained herein to reflect any change in the expectations of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from the expectations of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group. All subsequent written and forward-looking statements attributable to the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group or persons acting on behalf of the Bank, the Group, the Relevant Obligor(s) or the Relevant Subsidiary Group are expressly qualified in their entirety by such cautionary statements.



## INFORMATION INCORPORATED BY REFERENCE

With respect to (i) any Notes to be issued by the Bank or any Branch Issuer or (ii) any Guaranteed Notes, this Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the audited consolidated financial statements of the Bank as at and for the years ended 31 December 2017 and 2018 published on the Hong Kong Stock Exchange, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Bank from time to time on the Hong Kong Stock Exchange and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

With respect to any Notes to be issued by any Subsidiary Issuer, an amendment or supplement to this Offering Circular or a replacement Offering Circular will be published for use in connection with offering of the relevant Notes, which should be read and construed in conjunction with each relevant Pricing Supplement.

As any quarterly financial statements published on the Hong Kong Stock Exchange has not been audited or reviewed by the Bank's auditors, such interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Investors should exercise caution when using such data to evaluate the Group's business, financial condition and results of operation.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents and the principal office in Hong Kong of the Principal Paying Agent (as defined under "*Summary of the Programme*") (or such other Paying Agent for the time being in Hong Kong) set out at the end of this Offering Circular.

## PRESENTATION OF FINANCIAL INFORMATION

The financial information as at and for the years ended 31 December 2016, 2017 and 2018 in this Offering Circular has been derived from the audited consolidated financial statements of the Bank as at and for the years ended 31 December 2017 and 2018, published on the Hong Kong Stock Exchange and incorporated by reference into this Offering Circular (see "**Information incorporated by Reference**").

## AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each Relevant Obligor will, during any period in which any Relevant Obligor is neither subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from the reporting requirements of the Exchange Act under Rule 12g3-2(b) thereunder, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owners or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

The Bank is incorporated under the laws of the PRC and each Subsidiary Issuer is incorporated under the laws of its jurisdiction of incorporation. Most of their directors and officers reside outside the United States (principally in the PRC and/or the Relevant Obligor's jurisdiction of incorporation). A substantial portion of the assets of the Relevant Obligor(s) and the assets of such persons are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Relevant Obligor(s) or such persons, or to enforce against the Relevant Obligor(s) or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The Bank has been advised by its PRC counsel, JunZeJun Law Offices, that there is uncertainty or impossible to ascertain as to whether the courts of the PRC would (1) enforce judgments of the U.S. courts obtained against the Bank or its directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (2) entertain original actions brought in the courts of the PRC against the Bank or its directors and officers predicated upon these civil liabilities provisions.

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## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this summary.*

|   |  |
|---|--|
| <b>Issuer</b> .....                                   | Bank of China Limited, such branch of the Bank (including Bank of China Limited, Hong Kong Branch) or such subsidiary of the Bank, as specified in the applicable Pricing Supplement.  |
| <b>Guarantor</b> .....                                | Notes issued by a Subsidiary Issuer may be unconditionally and irrevocably guaranteed by an Overseas Branch as specified in the relevant Pricing Supplement.   |
| <b>Relevant Obligor(s)</b> .....                      | The relevant Issuer (for Notes other than the Guaranteed Notes); each of the relevant Issuer and the relevant Guarantor (for Guaranteed Notes).  |
| <b>Programme Size</b> .....                           | Up to U.S.\$40,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement (as defined in “ <i>Subscription and Sale</i> ”)) outstanding at any time. The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. |
| <b>Arrangers</b> .....                                | Bank of China Limited and Bank of China (Hong Kong) Limited.   |
| <b>Dealers</b> .....                                  | Bank of China Limited, Bank of China (Hong Kong) Limited and any other Dealer appointed from time to time either by the Bank generally in respect of the Programme or by the relevant Issuer in relation to a particular Series of Notes.  |
| <b>Principal Paying Agent,<br/>Paying Agent</b> ..... | The Bank of New York Mellon, London Branch (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon (for Notes cleared through DTC).   |
| <b>Registrar</b> .....                                | The Bank of New York Mellon SA/NV, Luxembourg Branch (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon (for Notes cleared through DTC); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through CMU Service).  |
| <b>Transfer Agent</b> .....                           | The Bank of New York Mellon SA/NV, Luxembourg Branch (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon (for Notes cleared through DTC); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through CMU Service).  |
| <b>CMU Lodging and Paying Agent</b> . .               | The Bank of New York Mellon, Hong Kong Branch.   |
| <b>Trustee</b> .....                                  | The Bank of New York Mellon, London Branch.  |

**Method of Issue** . . . . . The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), and intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant Pricing Supplement.

**Clearing Systems** . . . . . With respect to Notes (other than CMU Notes), Euroclear, Clearstream, Luxembourg and/or DTC and such other clearing system as shall be agreed between the relevant Issuer, the Agents, the Trustee and the relevant Dealer. With respect to CMU Notes, the CMU Service (each of Euroclear, Clearstream, Luxembourg, DTC and the CMU Service, a “**Clearing System**”). See “*Clearing and Settlement*”.

**Form of Notes** . . . . . Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Series of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the applicable Pricing Supplement, which, in each case, may be deposited on the issue date with a common depository for Euroclear, Clearstream, Luxembourg or any other agreed clearance system compatible with Euroclear and Clearstream, Luxembourg or, in respect of CMU Notes, a sub-custodian for the CMU Service. A Temporary Global Note will be exchangeable, in whole or in part, as described therein, for interests in a Permanent Global Note as described under “*Form of the Notes*”. A Permanent Global Note may be exchanged, in whole but not in part, for Definitive Notes only upon the occurrence of an Exchange Event as described under “*Form of the Notes*”. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures or the time being of Euroclear, Clearstream, Luxembourg, the CMU Service and/or any other agreed clearance system, as appropriate.

Bearer Notes that are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (the “**D Rules**”) must be initially represented by a Temporary Global Note. Certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note.

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Global Note Certificate in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S and/or one or more Restricted Global Note Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the relevant Pricing Supplement, unless if so specified in the relevant Pricing Supplement, no Note Certificate shall be issued in respect of the relevant Tranche of Notes.

Each Note to be cleared through DTC and represented by an Unrestricted Global Note Certificate or a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and the relevant Global Note Certificate will be deposited on or about the issue date with the DTC Custodian.

Each Note to be cleared through Euroclear, Clearstream, Luxembourg or CMU Service and represented by a Global Note Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or in respect of CMU Notes, a sub-custodian for the CMU Service and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository or sub-custodian.

Global Note Certificates will be exchangeable for Individual Note Certificates only upon the occurrence of an Exchange Event as described in "*Form of the Notes*".

Application will be made to have Global Notes or Global Note Certificates of any Series accepted for clearance and settlement through the facilities of DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service, as appropriate.

**Currencies** . . . . .

Notes may be denominated in any currency or currencies, agreed between the relevant Issuer and the relevant Dealer(s) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Status of the Senior Notes . . . . .** The Senior Notes constitute direct, general, unsubordinated, unconditional, and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the relevant Issuer under the Notes shall, save for such obligation as may be preferred by provisions of law that are both, at all times rank at least *pari passu* with all of its other present and future unsecured and unsubordinated obligations as described in “*Terms and Conditions of the Notes – Status of the Notes and Guarantee of Guaranteed Notes – Status of the Senior Notes*”.

**Status of the Guarantee of Senior Notes . . . . .** In the case of Senior Guaranteed Notes, the relevant Guarantor will in the Deed of Guarantee unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the relevant Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general, unconditional and unsubordinated obligations of the Bank which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank as described in “*Terms and Conditions of the Notes – Status of the Notes and Guarantee of Guaranteed Notes – Guarantee of the Senior Guaranteed Notes*”.

**Status, Events of Default and other terms of Subordinated Notes . . . . .** Subordinated Notes will be Dated Subordinated Notes or Undated Subordinated Notes as indicated in the applicable Pricing Supplement. Provisions in relation to the status of the Subordinated Notes and events of default (if any) will be set out in the applicable Pricing Supplement.

**Issue Price . . . . .** Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes (which are not Subordinated Notes) may be issued, the issue price of which will be payable in two or more instalments.

**Maturities . . . . .** Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by such Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Finance Services and Markets Act 2000 (“**FSMA**”) by the relevant Issuer.

|   |   |
|---|---|
| <b>Redemption</b> . . . . .                       | Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.<br><br>No Subordinated Notes may be redeemed or purchased by the relevant Issuer or its Subsidiaries prior to their respective stated maturity, for tax reasons, regulatory reasons or otherwise, without the prior written consent of the relevant Regulatory Authority as specified in the applicable Pricing Supplement at the relevant time.  |
| <b>Redemption for tax reasons</b> . . . . .       | Notes may be redeemed before their stated maturity at the option of the relevant Issuer (in whole but not in part) as described in Condition 11(b) ( <i>Redemption for tax reasons</i> ).<br><br>See “ <i>Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons</i> ”.   |
| <b>Redemption for Change of Control</b> . . . . . | In the case of Notes issued by a Subsidiary Issuer, subject (in the case of Subordinated Notes) to Condition 11(i) ( <i>Additional Conditions for Redemption of Subordinated Notes</i> ), if so specified in the relevant Pricing Supplement, at any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder’s option, to require the relevant Issuer to redeem all, but not some only, of that holder’s Notes on the Change of Control Put Date at a price equal to the Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding, the Change of Control Put Date.<br><br>See “ <i>Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Change of Control</i> ”. |
| <b>Optional Redemption</b> . . . . .              | Notes may be redeemed before their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as described in Condition 11(c) ( <i>Redemption at the option of the Issuer</i> ) and/or the Noteholders to the extent if at all specified in the Condition 11(f) ( <i>Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders</i> ).  |
| <b>Interest</b> . . . . .                         | Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.   |
| <b>Denominations</b> . . . . .                    | Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.  |
| <b>Cross Default</b> . . . . .                    | The Senior Notes will contain a cross default provision as further described in Condition 15 ( <i>Events of Default</i> ).  |



**Withholding Tax** . . . . . All payments in respect of Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, each Relevant Obligor will (subject to certain customary exceptions as described in Condition 14 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes, had no such withholding been required.

**Listing and Trading** . . . . . Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which Notes may be issued by way of debt issues to Professional Investors only.

Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

**Governing Law** . . . . . The Notes, the Non-Guaranteed Notes Trust Deeds, the Guaranteed Notes Trust Deeds, the Deeds of Guarantee, each Alternative Trust Deeds and any non-contractual obligations arising out of or in connection therewith will be governed by, and shall be construed in accordance with, English law, except that the provisions of the Notes, the Non-Guaranteed Notes Trust Deeds, the Guaranteed Notes Trust Deeds, the Alternative Trust Deeds relating to subordination (if any) shall be governed by, and construed in accordance with such law as specified in the relevant Pricing Supplement.

**Rating** . . . . . Moody's, Fitch and S&P have assigned a rating of "A1", "A" and "A" to the Programme, respectively. Moody's, Fitch and S&P are expected to rate Senior Notes issued under the Programme "A1", "A" and "A", respectively. Any rating assigned to Subordinated Notes issued under the Programme by Moody's, Fitch and/or S&P would be issued on a case-by-case basis for each Tranche of Subordinated Notes at drawdown.

Each Series of Notes may be assigned ratings by Moody's, Fitch and/or S&P, as specified in the applicable Pricing Supplement.

**Selling Restrictions** . . . . . For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering materials in the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan and Singapore, see “*Subscription and Sale*” below.

For the purpose of Regulation S, Category 2 selling restrictions will apply unless otherwise indicated in the relevant Pricing Supplement.

In connection with the offering and sale of a particular Series of Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement. Bearer Notes will be issued in compliance with the D Rules unless (i) the applicable Pricing Supplement states that the Bearer Notes are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”) or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstance in which the Notes will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstance will be referred to in the applicable Pricing Supplement; Bearer Notes with a term of 365 days or less (taking into account unilateral extensions and rollovers) will be issued other than in compliance with the D Rules or the C Rules and will be referred to in the applicable Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”) is not applicable.

**Transfer Restrictions** . . . . . There are restrictions on the transfer of Notes sold pursuant to Category 2 or Category 3 of Regulation S prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See “*Transfer Restrictions*”.

**Initial Delivery of Notes** . . . . . On or before the issue date for each Series, the Global Note representing Bearer Notes or the Global Note Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg, DTC or deposited with a sub custodian for the CMU Service or any other clearing system or may be delivered outside any clearing system *provided that* the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of a nominee or a sub custodian for, such clearing systems.

## SUMMARY FINANCIAL INFORMATION OF THE BANK

The summary financial information set forth below has been extracted from the Group's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018. It should also be read in conjunction with any other information incorporated into the Offering Circular (see "Information Incorporated by Reference" in this Offering Circular).

There are certain new accounting standards adopted by the Bank since 1 January 2018. Please refer to "Standards, amendments and interpretations effective and have been early adopted by the Group in 2018" of the Group's audited consolidated financial statements as at for the year ended 31 December 2018 for details of such accounting standards.

### Consolidated Income Statement

|  | For the year ended 31 December                               |                |                |
|--|--|----------------|----------------|
|  | 2018   | 2017           | 2016           |
|  | (Amount in millions of Renminbi,<br>unless otherwise stated) |                |                |
| Interest income . . . . .  | 687,900  | 622,616        | 566,139        |
| Interest expense . . . . .   | (328,194)  | (284,227)      | (260,091)      |
| <b>Net interest income</b> . . . . .   | <b>359,706</b>   | <b>338,389</b> | <b>306,048</b> |
| Fee and commission income . . . . .  | 99,997   | 100,800        | 98,319         |
| Fee and commission expense . . . . .   | (12,789)   | (12,109)       | (9,655)        |
| <b>Net fee and commission income</b> . . . . .   | <b>87,208</b>  | <b>88,691</b>  | <b>88,664</b>  |
| Net trading gains . . . . .  | 6,719  | 1,686          | 8,496          |
| Net gains on financial investments . . . . .   | 2,817  | 2,406          | 12,524         |
| Other operating income . . . . .   | 47,356   | 52,589         | 69,924         |
| <b>Operating income</b> . . . . .  | <b>503,806</b>   | <b>483,761</b> | <b>485,656</b> |
| Operating expenses . . . . .   | (176,979)  | (173,859)      | (175,069)      |
| Impairment losses on assets . . . . .  | (99,294)   | (88,161)       | (89,072)       |
| <b>Operating profit</b> . . . . .  | <b>227,533</b>   | <b>221,741</b> | <b>221,515</b> |
| Share of results of associates and joint ventures . . . . .  | 2,110  | 1,162          | 897            |
| <b>Profit before income tax</b> . . . . .  | <b>229,643</b>   | <b>222,903</b> | <b>222,412</b> |
| Income tax expense . . . . .   | (37,208)   | (37,917)       | (38,361)       |
| <b>Profit for the period/year</b> . . . . .  | <b>192,435</b>   | <b>184,986</b> | <b>184,051</b> |
| <b>Attributable to:</b>  |  |                |                |
| Equity holders of the Bank . . . . .   | 180,086  | 172,407        | 164,578        |
| Non-controlling interests . . . . .  | 12,349   | 12,579         | 19,473         |
|  | <b>192,435</b>   | <b>184,986</b> | <b>184,051</b> |
| Earnings per share for profit attributable to equity holders of the Bank during the year (Expressed in RMB per ordinary share) |  |                |                |
| – Basic . . . . .  | 0.59   | 0.56           | 0.54           |
| – Diluted . . . . .  | 0.59   | 0.56           | 0.54           |

## Consolidated Statement of Financial Position

As at 31 December

|   | 2018   | 2017              | 2016              |
|---|--|-------------------|-------------------|
|   | <i>(Amount in millions of Renminbi,<br/>unless otherwise stated)</i> |                   |                   |
| <b>Assets</b>   |  |                   |                   |
| Cash and due from banks and other financial institutions . . . . .            | 439,931  | 560,463           | 659,982           |
| Balances with central banks . . . . .   | 2,331,053  | 2,227,614         | 2,271,640         |
| Placements with and loans to banks and other financial institutions . . . . . | 1,042,358  | 575,399           | 594,048           |
| Government certificates of indebtedness for bank notes issued . . . . .       | 145,010  | 129,350           | 117,421           |
| Precious metals . . . . .   | 181,203  | 172,763           | 161,417           |
| Derivative financial assets . . . . .   | 124,126  | 94,912            | 130,549           |
| Loans and advances to customers, net . . . . .                                | 11,515,764   | 10,644,304        | 9,735,646         |
| Financial investments . . . . .   | 5,054,551  | 4,554,722         | 3,972,884         |
| – financial assets at fair value through profit or loss . . . . .             | 370,491  | 193,611           | 124,090           |
| – financial assets at fair value through other comprehensive income . . . . . | 1,879,759  | N/A               | N/A               |
| – financial assets at amortised cost . . . . .                                | 2,804,301  | N/A               | N/A               |
| – available for sale . . . . .  | N/A  | 1,857,222         | 1,609,830         |
| – held to maturity . . . . .  | N/A  | 2,089,864         | 1,843,043         |
| – loans and receivables . . . . .   | N/A  | 414,025           | 395,921           |
| Investments in associates and joint ventures . . . . .                        | 23,369   | 17,180            | 14,059            |
| Property and equipment . . . . .  | 227,394  | 205,614           | 194,897           |
| Investment properties . . . . .   | 22,086   | 21,026            | 21,659            |
| Deferred income tax assets . . . . .  | 38,204   | 46,487            | 34,341            |
| Assets held for sale . . . . .  | –  | –                 | 50,371            |
| Other assets . . . . .  | 122,226  | 217,590           | 189,975           |
| <b>Total assets . . . . .</b>   | <b>21,267,275</b>  | <b>19,467,424</b> | <b>18,148,889</b> |
| <b>Liabilities</b>  |  |                   |                   |
| Due to banks and other financial institutions . . . . .                       | 1,731,209  | 1,425,262         | 1,420,527         |
| Due to central banks . . . . .  | 907,521  | 1,035,797         | 867,094           |
| Bank notes in circulation . . . . .   | 145,187  | 129,671           | 117,656           |
| Placements from banks and other financial institutions . . . . .              | 612,267  | 500,092           | 302,792           |
| Financial liabilities held for trading . . . . .                              | 14,327   | 20,327            | N/A               |
| Derivative financial liabilities . . . . .                                    | 99,254   | 111,095           | 107,109           |
| Due to customers . . . . .  | 14,883,596   | 13,657,924        | 12,939,748        |
| Bonds issued . . . . .  | 782,127  | 499,128           | 362,318           |
| Other borrowings . . . . .  | 32,761   | 30,628            | 27,152            |
| Current tax liabilities . . . . .   | 27,894   | 34,521            | 28,055            |
| Retirement benefit obligations . . . . .                                      | 2,825  | 3,027             | 3,439             |
| Deferred income tax liabilities . . . . .                                     | 4,548  | 4,018             | 4,501             |
| Liabilities classified as held for sale . . . . .                             | –  | –                 | 42,488            |
| Other liabilities . . . . .   | 298,362  | 439,210           | 438,918           |
| <b>Total liabilities . . . . .</b>  | <b>19,541,878</b>  | <b>17,890,745</b> | <b>16,661,797</b> |

|  | <b>As at 31 December</b>   |                   |                   |
|--|--|-------------------|-------------------|
|  | <b>2018</b>  | <b>2017</b>       | <b>2016</b>       |
|  | <i>(Amount in millions of Renminbi,<br/>unless otherwise stated)</i> |                   |                   |
| <b>Equity</b>  |  |                   |                   |
| <b>Capital and reserves attributable to equity holders<br/>of the Bank</b> |  |                   |                   |
| Share capital . . . . .  | 294,388  | 294,388           | 294,388           |
| Other equity instruments . . . . .   | 99,714   | 99,714            | 99,714            |
| Capital reserve . . . . .  | 142,135  | 141,880           | 141,972           |
| Treasury shares . . . . .  | (68)   | (102)             | (53)              |
| Other comprehensive income . . . . .                                       | 1,417  | (35,573)          | (3,854)           |
| Statutory reserves . . . . .   | 157,464  | 141,334           | 125,714           |
| General and regulatory reserves . . . . .                                  | 231,525  | 207,817           | 193,462           |
| Undistributed profits . . . . .  | 686,405  | 646,558           | 560,339           |
|  | 1,612,980  | 1,496,016         | 1,411,682         |
| <b>Non-controlling interests . . . . .</b>                                 | <b>112,417</b>   | <b>80,663</b>     | <b>75,410</b>     |
| <b>Total equity . . . . .</b>  | <b>1,725,397</b>   | <b>1,576,679</b>  | <b>1,487,092</b>  |
| <b>Total equity and liabilities . . . . .</b>                              | <b>21,267,275</b>  | <b>19,467,424</b> | <b>18,148,889</b> |

## RISK FACTORS

*The Notes are offered to Professional Investors only and are not suitable for retail investors. Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors. Investing in the Notes involve risks. Prospective investors should have regard to the factors described in this section before deciding whether to invest in the Notes.*

### **Risks relating to the PRC Banking Industry**

*The PRC banking regulatory regime is continually evolving and the Group is subject to future regulatory changes*

The Group operates in a highly regulated industry and is subject to laws and regulations governing all aspects of its operations. The principal banking-related statutes and regulations are the Commercial Banking Law and the Law of PRC on Supervision and Administration of Banking Sector and the related implementation rules. The principal regulators of the PRC banking industry are the China Banking and Insurance Regulatory Commission (the former “China Banking and Regulatory Commission” and “China Insurance Regulatory Commission”, the “**CBIRC**”), PBOC and SAFE.

The PRC banking regulatory regime has been evolving continuously. Changes in the rules and regulations as well as their interpretations may result in additional costs or restrictions on the Group’s operations and activities. For example, PBOC exercises significant influence over monetary policies.

In addition, the Group may be required to increase deposit reserves in response to future potential changes in PBOC rules and regulations. The Group may be required to take additional steps to adapt to future changes on a timely basis.

The Group’s business and operations are directly affected by changes in the PRC’s policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any changes will not materially and adversely affect the Group’s business, financial condition and results of operations nor can there be any assurance that the Group will be able to adapt to any changes on a timely basis. For instance, changes in the financial regulatory policies may have a material impact on the operational and financial results of the Bank, while adjustment in the monetary policies and the regulatory methods will have a direct impact on the business activities of the Bank. The Group’s business operations will be adversely affected if the Bank is unable to make proper adjustment to its business operations according to the trend of change in the financial regulatory policies and monetary policies. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Group’s activities and could also have a significant impact on its business.

*The increasingly competitive nature of the PRC banking industry, as well as competition for funds which may arise from the development of the PRC capital markets, could adversely affect the Group’s business, financial condition, results of operations and prospects*

The PRC banking industry is becoming increasingly competitive. The Group faces competition from domestic and foreign-invested banks and financial institutions. In addition, the Mainland and Hong Kong Closer Economic Partnership Arrangement, which allows Hong Kong banks to operate in the PRC, may also increase competition in the PRC banking industry. These banks and financial institutions compete with the Group for substantially the same loan, deposit and fee customers. Moreover, the PRC Government has, in recent years, implemented a series of measures designed to further liberalise the banking industry, including those relating to interest rates and fee-and-commission based products and services, which are changing the basis on which the Group competes with other banks for customers. Competition in the PRC banking industry may be further aggravated by internet finance and the participation of private capital in the banking businesses. The increased competition may:

- reduce the Group’s market share in its principal products and services;
- reduce the growth of the Group’s loan portfolio or deposit base and other products and services;

- reduce the Group's interest income, increase the interest expenses and decrease its net interest margin;
- reduce the Group's fees and commission income;
- increase the Group's outgoings and expenses, such as marketing and administrative expenses;
- lead to a deterioration of the Group's asset quality; and
- increase the turnover of and competition for senior management and qualified professional personnel.

The Group faces increased competition in all the business areas in which it currently operates or will in the future operate. The Group may also face competition for funds from other forms of investment alternatives as the PRC capital market continues to develop. For example, the PRC capital market is becoming a more viable and attractive investment alternative and the Group's deposit customers may elect to transfer their funds into bonds, equities, investment funds and other capital market instruments, which may reduce its deposit base and adversely affect its business, financial condition and results of operations.

***The rate of growth of the PRC banking market may not be sustainable***

The Group expects the banking market in the PRC to expand as a result of growth in the PRC economy, increases in household wealth, continued social welfare improvement, demographic changes and the opening of the PRC banking market to foreign participants. The prospective impact on the PRC banking industry of certain trends and events, such as the slowing down of the growth of the economy and the increasing competition in the financial industry, remain uncertain. Consequently, there is no assurance that the historic high rate of growth of the PRC banking market can be sustained.

***Basel III and related reforms could have an adverse effect on the Bank's business***

In accordance with the third edition of the Basel Capital Accord promulgated in December 2010 by Basel Committee ("**Basel III**"), the minimum Tier 1 Capital Adequacy Ratio will be raised from 4 per cent. to 6 per cent., while the minimum Common Equity Tier 1 Capital will be raised to 4.5 per cent. (with the CBIRC expected to require PRC banks to maintain a 5 per cent. Common Equity Tier 1 Capital), with an additional 2.5 per cent. capital conservation buffer and certain buffer for systematically important banks.

The CBIRC published the CBIRC Capital Regulations in June 2012 requiring commercial banks to meet the regulatory capital adequacy requirements before the end of 2018. The regulatory capital adequacy ratios requirements under the CBIRC Capital Regulations include minimum capital requirements, reserve capital requirements, counter-cyclical capital requirements, additional capital requirements for systemically important banks and Tier 2 capital requirements. The CBIRC Capital Regulations have set higher requirements for both the quality and quantity of banks' capital and after the implementation of these Measures, there are a more stringent definition of capital, further improved regulatory standards for capital instruments, and gradually reduced traditional subordinated debt capital instruments. Any failure of the Bank to adapt to the more stringent requirements for capital adequacy ratios level under the New Basel Capital Accord and thus to meet the higher requirements for the relevant regulatory indicators may adversely affect the Bank's business.

***The Group's results of operations may be materially and adversely affected if PBOC further deregulates interest rates***

PBOC has adopted reform measures to liberalise the PRC's interest rate regime. For example, in October 2004, PBOC eliminated restrictions in respect of the maximum interest rate for Renminbi-denominated loans and the minimum interest rate for Renminbi-denominated deposits. Thereafter, PBOC continued to lower the minimum interest rate for loans on repeated occasions. In June 2012, PBOC adjusted the maximum interest rate for deposits to 110 per cent. of the relevant benchmark deposit rate and the minimum interest rate for loans to 80 per cent. of the relevant benchmark lending rate. In July of the same year, PBOC again adjusted the minimum interest rate for loans to 70 per cent. of the relevant benchmark lending rate. On 20 July 2013, PBOC entirely removed lending rate control by eliminating the minimum interest rate for loans (except for individual residential mortgage loans) and removing controls on bill

discount rates. On 25 October 2013, PBOC introduced a new prime lending rate, officially known as the “loan prime rate”, which is based on a weighted average of lending rates from nine commercial banks. In recent years, the PBOC has adjusted the benchmark interest rates several times. On 22 November 2014, PBOC lowered the one-year Renminbi benchmark loan interest rate by 0.4 percentage point to 5.6 per cent. and raised the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.75 per cent. On 1 March 2015, PBOC further lowered the one-year Renminbi benchmark loan interest rate by 0.25 percentage points to 5.35 per cent. and lowered the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.5 per cent. On 11 May 2015, PBOC further lowered both the one-year Renminbi benchmark loan interest rate and one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 5.1 per cent. and 2.25 per cent. respectively. On 24 October 2015, PBOC further lowered both the one-year Renminbi benchmark loan interest rate and one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 4.35 per cent. and 1.5 per cent., respectively. Moreover, the upper limit of the interest rate floating range of the Renminbi-denominated deposits in commercial banks was removed by PBOC on 24 October 2015. Going forward, PBOC may further liberalise the existing interest rate restrictions on Renminbi-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in the PRC’s banking industry will likely intensify as the PRC’s commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by PBOC may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, thereby materially and adversely affecting the Group’s business, financial condition and results of operations which in turn may negatively affect the Group’s ability to service the Notes and to satisfy its other obligations under the Notes.

***The PRC regulations impose limitations on the types of investments the Group may make and, as a result, the Group has limited ability to seek optimal investment returns to diversify its investment portfolio and to hedge the risks of its Renminbi-denominated assets***

The PRC Government has imposed limitations on what a commercial bank may invest in. These permitted investments by issuers mainly include debt securities of:

- the government;
- public sector and quasi-government;
- policy banks;
- financial institutions; and
- corporates.

These investment restrictions limit the Group’s ability to seek optimal returns on its investments. The restrictions may also expose the Group to significantly greater risk of investment loss in the event that a particular type of investment it holds suffers a decrease in value. In addition, due to the limited hedging tools available to it, the Group’s ability to manage market and credit risks relating to its Renminbi-denominated assets is limited and any resulting decline in the value of its Renminbi-denominated assets may materially and adversely affect its business, financial condition and results of operations.

***The effectiveness of the Group’s credit risk management is affected by the quality and scope of information available in the PRC***

National credit information databases developed by PBOC have been in operation since January 2006. However, as the information infrastructure in the PRC is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Group’s credit applicants. Until the PRC has further developed and fully implemented its nationwide unified credit information database on corporate borrowers, the Group has to rely on other publicly available resources and its internal resources to supplement what is currently available on the nationwide unified credit information database for enterprises. These sources of data and information are not sufficiently complete or effective for the robust credit risk management system that the Group attempts to build. Therefore, there can be no assurance that the Group’s assessment of the credit risks associated with any particular customer is based on complete, accurate and reliable information, which materially and adversely affects the Group’s ability to effectively manage its credit risk.



***The Group is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities, such as maintaining a capital adequacy ratio***

The Group is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. CBIRC requires all commercial banks in the PRC to maintain certain financial ratios throughout its operations.

In recent years, CBIRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC. In April 2011, CBIRC promulgated the Guideline Concerning the Implementation of New Regulatory Standards for the PRC Banking Industry to clarify the direction for future regulations and the requirement for prudent regulatory requirements. In June 2012, CBIRC promulgated the CBIRC Capital Regulations which sets out the new requirements for capital adequacy which became effective on 1 January 2013, the minimum capital adequacy ratio, tier 1 capital adequacy ratio and common equity tier 1 capital adequacy ratio for commercial banks to meet by the end of 2018 are 8 per cent., 6 per cent. and 5 per cent., respectively. On 30 November 2012, CBIRC issued the Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), which sets out the requirements for capital adequacy ratio during the phase-in period. As a domestic systematically important bank and a global systematically important bank, the Group is subject to additional capital requirements of the CBIRC and the Basel Committee. As at 31 December 2018, the Group's capital adequacy ratio, tier 1 capital adequacy ratio and common equity tier 1 capital adequacy ratio (calculated in accordance with the advanced approach under CBIRC Capital Regulations) were 14.97 per cent., 12.27 per cent. and 11.41 per cent., respectively.

Although the Group is currently in compliance with the capital adequacy requirements, there can be no assurance that CBIRC will not issue new regulations to heighten the capital adequacy ratios requirements, particularly in the light of the implementation of the new Basel III. Any change in calculation of capital adequacy ratios by CBIRC may also affect the Group's compliance with capital adequacy ratios. There can be no assurance that the Group will be able to meet these requirements in the future at all times. If the Bank fails to meet the capital adequacy requirements, CBIRC may require the Bank to take corrective measures, such as restricting the growth of its loans and other assets or restricting its declaration or distribution of dividends. These measures could materially and adversely affect the Bank's business, financial condition and results of operations.

In order to support its steady growth and development, the Group may need to raise more capital to ensure that its capital adequacy ratios comply with the regulatory requirements. In its capital raising plan in the future, the Group may issue any equity securities that can replenish the Tier 1 capital or any debt securities that can replenish the Tier 2 capital. The Group's capital-raising ability may be restricted by the Group's future business, financial condition and results of operations, the Group's credit rating, regulatory approvals and overall market conditions, including Chinese and global economic, political and other conditions at the time of capital raising.

***The PRC regulators have implemented measures relating to lending to small and medium-sized enterprises and the Group may be affected by future regulatory changes***

CBIRC has promulgated a series of measures to encourage banking institutions to implement the PRC Government's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to small and medium-sized enterprises while effectively controlling risk. However, small and medium-sized enterprises are more vulnerable to fluctuation in the macro-economy as compared to large enterprises due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, small and medium-sized enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its small and medium-sized enterprise clients are affected by economic or regulatory changes, which could materially and adversely affect the Group's business, results of operations and financial condition.

In addition, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to small and medium-sized enterprises (e.g. incentive policies to encourage lending to small and medium-sized enterprises), will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and results of operations.

## Risks relating to the Group's Business

***If the Group is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans the Group extends in the future, or if the Group's allowance for loan impairment losses on loans and advances is insufficient to cover actual loan losses, its financial condition and results of operations may be materially and adversely affected***

The Group's results of operations have been and will continue to be negatively impacted by its impaired loans. According to International Financial Reporting Standards ("IFRS"), being the set of accounting principles that are applicable to the Group, loans are impaired if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. As at 31 December 2018, the Group's non-performing loans under its five-category loan classification were RMB166.941 billion, representing an NPL ratio of 1.42 per cent. The Group seeks to continue to improve its credit risk management policies, procedures and systems, and has been able to effectively control the level of its impaired loans, despite the financial turmoil in global markets.

The amount of the Group's reported impaired loans and the ratio of the Group's impaired loans to its loans and advances to customers may increase in the future for a variety of reasons, including factors which are beyond the Group's control, such as a slowdown in economic growth and other adverse macroeconomic trends in the PRC or a deterioration in the financial condition or results of operations of the Group's borrowers, which could impair the ability of the Group's borrowers to service their debt. There can be no assurance that the Group will be able to maintain or lower its current impaired loan ratio in the future or that the quality of its existing or future loans and advances to borrowers will not deteriorate. As a result of the PRC Government's economic stimulus programmes, many PRC banks, including the Group, experienced high growth in their loan scale in the past. This increase in bank loans may lead to elevated impaired loan ratios and loan loss provisions as well as increasing strain on the Group's risk management resources, which may affect the quality of its loan portfolio.

As at 31 December 2018, the balance of the Group's allowance for loan impairment losses was RMB303.781 billion and the coverage ratio of allowance for loan impairment losses to NPLs was 181.97 per cent. The Group's allowance for loan impairment losses is affected by various factors, including the quality of the Group's loan portfolio, the Group's borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral, the extent of any guarantees, the industry in which the borrower operates, as well as general economic and business conditions. Many of these factors are beyond the Group's control. Furthermore, the adequacy of the Group's allowance for loan impairment depends to a significant extent on the reliability of, and its skills in utilising, its model for determining the level of allowance, as well as its system of data collection. The limitations of the Group's model, its lack of experience in using the model and deficiencies in its data collection system may result in inaccurate and insufficient allowance for impairment losses. As a result, the Group's actual loan impairment losses could prove to be different from its estimates and could exceed its allowance. If the Group's allowance for impairment losses on loans and advances proves insufficient to cover actual losses, it may need to make additional allowance for losses, which could significantly reduce its profit and adversely affect its business, financial condition and results of operations.

***If the Group is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of its loans, its financial condition and results of operations may be adversely affected***

A substantial portion of the Group's loans is secured by collateral. The Group's loan collateral primarily includes real estate and other financial and non-financial assets located in the PRC, the value of which may fluctuate due to factors beyond the Group's control, including macroeconomic factors affecting the PRC economy. In particular, an economic slowdown in the PRC may lead to a downturn in the PRC real estate market, which may in turn result in declines in the value of the collateral securing many of the Group's loans to levels below the outstanding principal balance of such loans. Any decline in the value of the collateral securing the Group's loans may result in a reduction in the amount the Group can recover from collateral realisation and an increase in its impairment losses.

In addition, a considerable portion of the Group's domestic loans are guaranteed. The Group's exposure to guarantors is generally unsecured, and a significant deterioration in the financial condition of these guarantors increases the risk that the Group may not be able to recover the full or any amount of such guarantees if needed and when required.

Furthermore, the guarantee provided by such guarantors may be determined by the court as invalid if the relevant guarantor fails to comply with applicable PRC laws and regulations.

***The Group has granted loans to certain overcapacity sectors, the real estate sector and local government financing vehicles (“LGFVs”) and any extended downturn in or change in national policies towards the overcapacity sectors, the real estate sector and LGFVs may adversely affect the Group’s financial condition, results of operations and prospects***

#### *Loans to Overcapacity Sectors, High Energy Sectors and High Pollutant Emission Sectors*

The Group has granted loans to industries and sectors featured by high energy consumption and high pollutant emission and implemented differentiated credit policies in relation to overcapacity sectors.

In the past few years, the Bank has adopted a relatively stringent criteria for extending loans to the overcapacity sector with priority given to the enterprises under key projects of the State or leading enterprises within the industry; meanwhile, the Bank has stepped up efforts in loan restructuring and withdrawn from enterprises that are not compliant with the State’s industrial policies. The overall asset quality of loans to overcapacity sectors is maintained at a satisfactory level with the loans primarily going to the leading enterprises within the industry and is therefore better protected against risks. However, if the problem of overcapacity in China continues to aggravate and the relevant enterprises receiving credit facilities from the Bank are unable to implement technology upgrade in a timely manner to stay competitive, the quality of loans to the above sectors may be adversely affected.

#### *Real Estate Sector*

The Group’s loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans.

With respect to its real estate loans, the Group follows strictly its credit risk management procedures, including on-going credit monitoring of borrowers’ financial information, and strictly enforcing repayment schedules. In addition, the Group has established a regional risk alert system and loan policy adjustment mechanism applicable to the real estate sector.

The Group has instructed its branches to strengthen research of regional and local real estate market conditions, adjust credit guidelines applicable to real estate loans and implement different credit limits to reflect different levels of risk for these loans. The PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. The PRC Government has plans to and has already implemented certain macroeconomic control and other adjustment measures aiming at managing these fluctuations and preventing the real estate market from over-heating. These policies may have an adverse effect on the growth of the Group’s loans to the real estate industry, the quality of loans extended to the real estate industry and the quality of the Group’s mortgage loan portfolio. In addition, if the real estate market in the PRC experiences a significant downturn, the value of the real estate securing the Group’s loans may decrease, resulting in a reduction in the amount the Group can recover on its loans in the event of default. This may in turn materially and adversely affect the Group’s asset quality, business, financial condition and results of operations.

#### *LGFVs*

LGFVs are legal entities formed by local governments which are primarily responsible for utilisation of financial capitals and external financing in relation to urban infrastructure. Loans to LGFVs are a part of the loan portfolio of commercial banks in PRC, including the Group’s. The Group’s loans to LGFVs are primarily utilised by infrastructure projects including transportation and urban projects and land reserve centres. A majority of these projects comprise of loans to provincial-and municipal-level platforms with terms of less than 10 years and are mainly fully or partially covered by operating cash flows of the projects.

The Group attaches great importance to the credit management of LGFVs and has undertaken a series of measures, such as access lists, industry quotas, debt limitation models and regular review, to reduce credit risks associated with loans to LGFVs. The Group intends to further strengthen the risk management of LGFVs. Although the Group has taken a variety of credit risk management measures, it may not discover all potential risks associated with irregular operations, large debts and unsustainable revenues of LGFVs or the potential reform or elimination of non-compliant entities by local governments. In addition, as local government revenues are primarily derived from taxes and land premiums, the economic cycles and

fluctuations in the real estate market may also adversely affect the quality of such loans. There can be no assurance that the LGFVs will be able to fulfil their obligations under the terms of the loans on time or at all. Any failure by these LGFVs to fulfil their loan obligations may have a material and adverse effect on the Group's business, financial condition and results of operations.

***The formal implementation of the deposit insurance scheme may adversely affect the Group's deposit-taking business and financial position***

The "Deposit Insurance Regulations" formulated by the State Council came into effect on 1 May 2015, which will result in the formal establishment of a deposit insurance scheme in the PRC. The Deposit Insurance Regulations requires that the commercial banks and other deposit-taking banking financial institutions established in the PRC shall take out deposit insurance and pay deposit insurance premiums to relevant deposit insurance fund management institutions, with such premiums to be used as deposit insurance funds to compensate depositors in the event of the liquidation or similar event of any PRC bank. Under the deposit insurance scheme, upon the liquidation or similar event of any PRC bank, the maximum compensation that a depositor may receive on the total principal and accrued interest deposited with such PRC bank will be capped at RMB500,000.

The deposit insurance premiums to be paid by the Bank in accordance with the Deposit Insurance Regulations and other relevant laws and regulations will increase the Group's operating costs and capital requirements. Furthermore, the deposit insurance scheme may increase competition among PRC banks for deposits as some depositors may consider spreading out their deposits with different PRC banks. This may result deposits currently held with the Group being transferred by depositors to other PRC banks as well as the Group having to offer higher interest rates to retain existing, and attract new, depositors, which may have an adverse effect on the Group's business, financial position and operating results.

***Any deficiencies in the Group's risk management and internal control system may adversely affect the Group's financial condition and results of operations***

With the expansion of its business, products and services, the Group may face significant challenges in risk management and may need to further improve its risk management system. For example, in addition to commercial banking services, the Group provides investment banking, insurance, direct investment, fund management and aircraft leasing services. The risks related to these services are different from those related to commercial banking services. The Group has adopted measures, policies and procedures to improve its risk management and internal control system and strengthen consolidated balance sheet risk management. However, such measures, policies and procedures may not be effective in managing the relevant risks. As a result, the Group's risk management and internal control system still need to be improved. Any deficiencies in the Group's risk management system may affect the Group's ability to respond to these risks. If the risk management system of the Group is unable to effectively manage relevant risks, its financial condition and results of operations may be adversely affected.

The Group assesses specific risks of single corporate clients as well as its overall credit risk through an internal credit assessment system. Its system involves detailed analysis of its borrowers' credit risk, taking into account both quantitative and qualitative factors. Therefore, the Group may be exposed to risks associated with inaccurate assessments. The effectiveness of the Group's credit rating system is also limited by the information available to it and the credit history of its borrowers. The Group has improved its credit policies and guidelines to better process potential risks relating to certain industries, including the real estate industry, and certain borrowers, including affiliated companies and group enterprises. However, the Group may fail to identify these risks on a timely basis given the limited resources and tools available to it. If the Group fails to effectively enforce, constantly follow or continue to improve its credit risk management policies and guidelines, its business operations, financial results and reputation may be materially and adversely affected.

The Group continues to improve its internal control system. The Group's Risk Management and Internal Control Committee under its senior management as well as the risk management and internal control committees of the Group's branches are responsible for ensuring the effective performance of the Group's internal control system. The Group expends significant effort on the development of its internal control system, improvement of its management mechanisms including internal control examination, modification and monitoring of workflow and internal control and compliance assessment, enhancement of the standardisation of management procedures, and strengthening of monitoring of key internal control

measures and key positions. In addition, by further increasing the independence, professional competence and effectiveness of its internal audit function, the Group continuously improves its internal audit in overall business and risk management and strengthens the communication between its internal audit committee and external auditor as well as between the management and the internal audit department. However, if the Group's internal control system is not effectively implemented or consistently applied, the Group's business operations, financial results and reputation may be adversely affected.

*The Group may encounter difficulties in effectively implementing centralised management and supervision of its branches and subsidiaries, as well as consistently applying of its policies throughout the Bank, and may not be able to timely detect or prevent fraud or other misconduct by its employees or third parties*

The Group's branches and subsidiaries historically have significant autonomy in their respective operations and managements. In the past, the Group was not always able to timely detect or effectively prevent failures in management at the branch or subsidiary level. In addition, due to limitations in information systems and differences between domestic and overseas regulatory policies, the Group's efforts in detecting or preventing such failures may not be implemented consistently and may not be sufficient to prevent all irregular transactions or incidents.

The Group may be subject to fraud and other misconduct committed by its employees, customers or other third parties, which could adversely affect its business operations and reputation. Common weaknesses that facilitate fraud include inadequate segregation of duties, insufficient internal controls and noncompliance with the Group's internal control policies by the employees. While the Group has implemented measures aimed at detecting and minimising employees' and third parties' misconduct and fraud, it may not always be able to timely detect or prevent such misconduct, and it may need to continue to improve its current, and implement new, policies and measures. If the Group is unable to effectively manage and supervise its branches and subsidiaries, it may not be able to detect or prevent fraud or other misconduct of its employees or third parties in a timely manner, which may result in damage to its reputation and an adverse effect on its business, financial condition, results of operations and prospects.

*The Group is subject to fluctuations in interest rates and exchange rates and other market risks*

The Group's results of operations significantly depend on its net interest income. Fluctuations in interest rates could adversely affect the Group's financial condition and results of operations in different ways. For example, a fall in interest rates may result in a decrease in the interest income of the Bank and an increase in interest rates will normally result in a decline in the value of its fixed rate debt securities. Moreover, the gradual liberalisation of the regulation of interest rates may result in greater interest rate volatility as well as intensified competition in deposit and lending businesses. Such competition could result in an increase in cost of funds and a decrease in pricing on loans, which in turn could lead to a decrease in the Group's net interest income. In addition, despite the withdrawal of interest rate regulations on loans which allows the Group to charge different interest rates to borrowers with different credit ratings, the Group may not be able to benefit from such measures due to increased competition. A significant portion of the Group's outstanding interest-earning assets and, interest-bearing liabilities are denominated in foreign currencies. As a result, the Group's financial condition and results of operations are also affected by fluctuations in the interest rates associated with these foreign currencies.

The Group conducts a substantial portion of its business in Renminbi, with certain transactions denominated in U.S. dollars, HK dollars and, to a much lesser extent, other currencies. The Group's primary subsidiary, Bank of China (Hong Kong) Limited ("**BOCHK**"), conducts a substantial portion of its business in HK dollars and Renminbi. The Group endeavours to manage fund source and application to minimise potential mismatches in accordance with management directives. However, the Group's ability to manage its foreign currency positions in relation to the Renminbi is limited as the Renminbi is not a freely convertible currency.

The value of Renminbi against U.S. dollar, Euro and other currencies fluctuates and is affected by many factors, such as changes in political and economic conditions in the PRC and globally. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In July 2008, the PRC Government announced that its exchange rate regime would change into a managed floating mechanism based on market supply and demand. Given domestic and overseas

economic developments, PBOC adjusted the Renminbi exchange rate regime in April 2012 to enhance the flexibility of the Renminbi exchange rate. The PRC Government may make further adjustments to the exchange rate system in the future. Any appreciation of Renminbi against U.S. dollar, Euro or any other foreign currency may result in a decrease in the value of the Group's foreign currency-denominated assets. Conversely, the Group is required to obtain approval from the SAFE before converting foreign currencies into Renminbi for non-current account transactions, such as repayment of the principal of loans and equity investments. All these factors may adversely affect the Group's business, financial condition and results of operations, as well as its compliance with the capital adequacy ratios and operating ratios requirements.

To the extent the Group's foreign currency-denominated assets and liabilities cannot be matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against Renminbi may adversely affect the Group's financial condition and results of operations.

***There are operational risks associated with the Group's industry which, if realised, may have an adverse impact on its business operation***

Like all other financial institutions, the Group is exposed to many types of operational risks, including the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, as well as other regulations governing the Group's business activities), or operational errors, including clerical or record keeping errors or errors resulting from computer or telecommunications systems failure. The Group is also exposed to the risk that external vendors may fail to fulfil their contractual obligations to it (or will be subject to the same risk of fraud or operational errors by their employees). Moreover, the Group is exposed to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficient in case of a system failure or natural disaster.

Given the Group's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Group's dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or employee tampering or manipulation of those systems. The Group may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, natural disasters, external network attacks or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to it. Although, like all banks, the Group maintains monitoring and controlling system designed to reduce operational risks, the Group has suffered losses from operational risks and there can be no assurance that the Group will not suffer losses from operational risks in the future. The Group's reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties. In addition to internal factors that may affect the Group's operations, the rapid growth and expansion of its business in recent years may have also resulted in increasing complexity in its internal and external control systems and risk management measures, which may add to its operational risks.

***The Group's expanding range of products and services exposes it to new risks***

The Group has been expanding and intends to continue to expand the range of its products and services. Expansion of its business activities and product range exposes the Group to a number of risks and challenges, including the following:

- if the Group fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Group may fail to maintain its market share or lose some of its existing customers;
- the Group may not have sufficient experience or expertise in certain new products and services and may not compete effectively in these areas;
- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability;
- the new products and services may give rise to potential disputes or claims from customers;
- the Group may not be able to hire new personnel or retrain current personnel to enable it to conduct new business activities;

- the Group may fail to obtain regulatory approval for its new products or services; and
- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services. If the Group is unable to achieve the intended results from the expansion of its range of products and services, its business, financial condition and results of operations may be materially and adversely affected.

The continuous rapid growth of the business of the Bank raises higher requirements on management and operation levels and brings various risks and challenges to the Bank. Regardless of the Bank's active efforts in improving corporate structure and governance, it takes time for the Bank to implement the relevant measures and the relevant measures may be unable to enhance such aspects of the Bank as corporate structure and governance as anticipated.

The Bank may require additional capital in order to sustain its business growth. The ability of the Bank to increase capital is subject to various factors, including the Bank's future financial conditions, the approval from governmental and regulatory authorities and the overall conditions of the market.

If the Bank fails to keep growing at the current speed or any new business activity may not achieve expected results or the Bank fails to increase capital and successfully address risks and challenges brought by rapid growth, the Group's business, financial condition, results of operations and prospects may be adversely affected.

***The Group is subject to credit and liquidity risks with respect to certain off-balance sheet commitments***

In the normal course of its business, the Group makes commitments and guarantees which are not reflected as liabilities on its statement of financial position, including commitments, guarantees and letters of credit relating to the performance of its customers. The Group is subject to the credit risk of its customers as a result of these off-balance sheet undertakings. Over time, the creditworthiness of the Group's customers may deteriorate and the Group may be called upon to fulfil its commitments and guarantees in case any of its customers fail to perform their obligations owed to third parties. If the Group is unable to obtain payment or indemnification from its customers in respect of these commitments and guarantees, its business, financial condition and results of operations may be adversely affected.

***The Group is subject to the supervision and inspection of regulators in jurisdictions where it operates***

The Group is subject to supervision and regular and irregular inspection by the PRC's regulatory institutions and other administrative institutions, including the Ministry of Finance, PBOC, CBIRC, CSRC, the State Administration of Taxation, the State Administration of Industry & Commerce, SAFE, the NDRC and the National Audit Office and their local counterparts where the Group operates. The Group's branches and regulated subsidiaries must follow local laws, regulations and regulatory requirements of relevant local regulatory institutions. There can be no assurance that the Group's branches and sub-branches will be able to meet the applicable laws and regulatory requirements at all times. Any failure of the Group to meet these requirements may result in fines, penalties or sanctions which may adversely affect the Group's operations, reputation, business, financial position and results of operations.

***The Group implements sanctions compliance policies in accordance with relevant external sanctions regulations. Changes in these sanction regulations could change from time to time***

The U.S. currently imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control and the U.S. State Department. For instance, U.S. persons can be prohibited from engaging in any transactions with a designated target of certain sanctions, including the purchase and sale of, and receipt of payments under, securities issued by such designated target. Similar sanctions are administered by the United Kingdom, the European Union, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, among other things denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes. Countries which are currently subject to sanctions for different reasons include but not limited to Cuba, Iran, Libya, Myanmar, North Korea, Syria and Sudan.

The Group attaches great importance to sanctions compliance and effectively enforces sanctions regulations by the United Nations Security Council, the PRC, the U.S., the European Union and other jurisdictions relating to its overseas operations. The Group's policy is to not provide any financial service

to any sanctioned countries or entities or individuals that are subject to sanctions regulations. Sanctions regulations will change from time to time, and any such changes above could adversely affect the Group's business, results of operation and financial condition.

***The Group is subject to risks associated with its derivative transactions and investment securities***

The Group enters into derivative transactions primarily for trading, asset and liability management and on behalf of its customers. There are credit, market and operational risks associated with these transactions. In addition, there is not a complete set of market practice and documentation records in the PRC's derivative market and the PRC courts have limited experience in dealing with issues related to derivative transactions. This may further increase the risks associated with these transactions. In addition, the Group's ability to monitor, analyse and report these derivative transactions is subject to the development of the Group's information technology system. As a result, the Group's financial condition and results of operations may be adversely affected by these derivative transactions.

The investments of the Group in securities including bonds, shares or other financial instruments, both domestically issued in the PRC and offshore. Such investments are subject to credit, market liquidity and other types of risks associated with such investments.

The Group will continue to closely follow up with the developments in the international financial markets and assess impairment allowances on related assets in a prudent manner in accordance with IFRS. Any non-performance or default by the counterparty or volatility of the markets or liquidity of the markets in which may have an adverse effect on the Group's financial condition and results of operations.

***The Group's liquidity may be adversely affected if it fails to maintain its deposit growth or if there is a significant decrease in its deposits***

Most of the funding requirements of the Group's commercial banking operations are met through short-term funding, principally in the form of deposits, including customer and inter-bank deposits. Although the Group has established a liquid assets investment portfolio to supplement its on-going liquidity needs, it continues to rely primarily on customer deposits to meet its funding needs. While the Group's short-term customer deposits have been a stable and predictable source of funding, there can be no assurance that the Group will always be able to rely on this source of funding. If the Group fails to maintain its deposit growth or if there is a significant decrease in its deposits, the Group's liquidity position, business, financial condition and results of operations may be adversely affected. Should any of these events occur, the Group may need to seek more expensive sources of funding to meet its funding requirements.

In addition, there are mismatches between the maturity of the Group's assets and the maturity of its liabilities. If the mismatches between the maturity of its assets and the maturity of its liabilities widen significantly, the Group's liquidity position could be adversely affected and funding from higher-cost source has to be obtained. Furthermore, the Group's ability to obtain additional funds may also be affected by other factors, including factors beyond the Group's control, such as the deterioration of overall market conditions, disturbances to the financial markets or a downturn in the industries where it has substantial credit exposure. All of these factors may result in significant adverse effects on the Group's liquidity, business, financial position and results of operations. See also "Risk Factor – Risks Relating to the PRC Banking Industry" for additional information relating to the PRC banking regulatory regime.

***The Group's provisioning policies and loan classification may be different in certain respects from those applicable to banks in certain other countries or regions***

The Group determines a level of allowance for impairment losses and recognises any related provisions made in a year using the concept of impairment under IFRS 9. The Group's provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IFRS 9. As a result, the Group's allowance for impairment losses, as determined under those provisioning policies, may differ from those that would be reported if it was incorporated in those countries or regions.

The Group classifies its loans as "pass", "special-mention", "substandard", "doubtful" and "loss" by using the five-category classification system according to requirements of CBIRC. Its five-category classification system may be different in certain respects from those banks incorporated in certain other countries or regions. As a result, it may reflect a different degree of risk than what would be reported if the Group was incorporated in those countries or regions.



***The Group may not be able to detect money laundering and other illegal or improper activities, which could expose it to additional liability and harm its business***

The Group is required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and other jurisdictions in which it has operations. These laws and regulations require the Group, among other things, to formulate “know your customer” policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Group may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom the Group reports have the power and authority to impose fines and other penalties on the Group, which may materially and adversely affect the Group’s reputation, business, financial condition and results of operation.

***The Group’s business is highly dependent on the proper functioning and improvement of its information technology systems. Malfunction of or failure to improve or upgrade the information technology systems timely could have an adverse effect on the Bank’s business***

The Group is highly dependent on the ability of its information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner. The proper functioning of the Group’s financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks among the Group’s various branches and sub-branches and its main data processing centres, are critical to the Group’s business operations and its ability to compete effectively. The Group has developed an information system operation and management procedure based on the best practice and passed the certification of ISO 20000 standard of information technology (“IT”) operation and maintenance. The Group has established information security management system covering areas such as physical environment security, operational security, access control and information security event management. Such security management system complies with international standards and is certified with ISO 27001 international standards. The Group has developed a comprehensive IT emergency response mechanism and work process to cope with IT emergencies and formulated contingency plans covering all application systems, infrastructure and key equipment, which ensures prompt and effective response to IT emergencies. The Group has maintained backup data and developed a disaster recovery process under the “two locations and three centres” framework to ensure the continued function of the information system in disastrous events and the ability to cope with regional disastrous events effectively. However, the Group’s operations may be materially disrupted if there is fatal malfunction or regional major disaster. In addition, any security event caused by loss or corruption of data and malfunction of software, hardware or other computer equipment could have a material and adverse effect on the Group’s reputation, business, financial condition and results of operations.

The Group’s ability to remain competitive will depend largely on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by the Group through its existing information technology systems may not be timely or sufficient enough for it to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, the Group is making and intends to continue making investments to improve or upgrade its information technology systems. Any failure to improve or upgrade its information technology systems effectively or on a timely basis could adversely affect the Group’s competitiveness, business, financial condition and results of operations.

***Internet banking services involve risks of security breaches***

Internet banking activities involve the electronic storage and transmission of confidential information, which are vulnerable to unauthorised access, external network attacks and other disruptions. These possible security threats could expose the Group to liability and damage its reputation. Costs incurred in preventing security threats may be high and may adversely affect the Group’s business, financial condition and results of operations. The failure of the Group to detect any defects in software products which are used in providing its internet banking services and an unexpected and sudden high volume of internet traffic may have an adverse effect on the Group’s internet banking business.

***There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in the Offering Circular with respect to the Bank, the Group, the PRC, its economy or its banking industry***

Certain facts, forecasts and statistics in the Offering Circular relating to the PRC, the PRC's economy and global banking industries and the Bank's market share and ranking are derived from various official and other publicly available sources which are generally believed to be reliable. However, the Bank cannot guarantee the quality and reliability of such source materials. In addition, these facts, forecasts and statistics have not been independently verified by the Bank, the Group, or any of their respective directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy or fairness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date. The Bank has taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts, forecasts or statistics produced for other economies and should not be unduly relied upon.

### **Risks relating to the PRC**

***The Group's business is affected by the PRC's economic, political and social conditions and the prospects of the industries in which its loans are concentrated***

A significant majority of the Group's businesses, assets and operations are located in the PRC. Accordingly, its financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political, legal and social developments in the PRC.

The PRC economy is a planned economy. In recent years, the PRC Government has carried out broad reform of the PRC's financial markets, including recent reforms following the Third Plenum of the 18th Communist Party of China Central Committee in November 2013. If the Group is unable to adjust its operations in accordance with trends of currency policy, its financial condition and results of operations could be adversely affected.

The PRC Government has relatively strong ability to implement macroeconomic control measures. The growth of PRC's gross domestic product ("GDP") growth maintained its rapid pace for years before the global financial crisis in 2008. In response to the impact on the Chinese economy from the global financial crisis, the PRC Government implemented a series of economic incentive measures and relatively loose monetary policies since the second half of 2008, including a RMB4 trillion economic stimulus package and lowering the deposit reserve rate. These measures helped lead China's economy out of crisis and promote global economic recovery, but they also accelerated the increase in real estate prices, led to excess production capacity, and exacerbated problems of local government debt increased.

Since 2010, the Chinese government promoted the development of China's economic transformation by controlling scale of LGFVs, increasing the deposit reserve ratio, limiting excess production capacity across industrial sectors and strengthening real estate regulations. These measures could have a significant impact on the Group's business, financial condition, results of operations and asset quality.

Since 2014, China's economy has been facing downward pressure due to the sluggish foreign demand, excess production capacity and adjustments in real estate market. Since April 2014, the government has introduced a series of 'steady growth' measures, such as expansion of the railway and security housing investment, tax relief for small and medium-sized enterprises ("SME"), targeted reserve ratio cut in order to relieve the downward pressure. As the effect of these measures gradually reveals and the external economy improves recently, industrial production, manufacturing purchasing managers index, money supply, new debts, electricity generation and other economic and financial indicators show that the economy has improved. As the Group is reversing to moderate-to-high growth from the current super-speed growth, the Group's business, financial condition and results of operations may be materially and adversely affected.

In 2018, the economic environment continued to be characterised by overall uncertainty, due for instance to the slowdown in China and other emerging economies, as well as fears of global trade wars as a result of the announcement of tariffs and other protectionist policies by a number of key economies, including the United States. If the Group is unable to adjust its strategies and business in accordance with such trends in the economy, its business, financial condition and results of operations may be materially and adversely affected in the future.

### *Interpretation and implementation of the PRC laws and regulations may involve uncertainties*

The Bank is incorporated and exists under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with legal relations in respect of such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, especially with respect to the PRC banking regulatory regime, these laws and regulations may be subject to different interpretations and inconsistently enforced. In addition, there is only a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value. These uncertainties relating to the interpretation and implementation of the PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to holders of the Notes.

For example, the NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, if pre-issue registration is required but not complied with, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to the enforcement as provided in Condition 15 (*Events of Default*). Potential investors of the Notes are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular.

On 11 January 2017, the PBOC promulgated the Circular on Issues concerning the Macro-prudential Management of Full-covered Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the “**2017 PBOC Circular**”). Under the 2017 PBOC Circular, financial institutions are required to file relevant operating rules and internal control policies and the details of the calculation of their outstanding foreign debt and foreign debt limit with PBOC or SAFE before making their first cross-border financing transaction and they are required to report to PBOC or SAFE of the amount of its capital fund and the financing agreement when a financing agreement is signed and before the drawdown of the loan or issue of debt securities, report its cross-border income after such drawdown, and report its cross-border payments after making interest or principal payments. In addition, financial institutions are also required to report to PBOC or SAFE on the fifth working day of each month on the foreign debt it has borrowed and the change in its outstanding foreign debt during the previous month. The Bank is one of the 27 designated banks required to carry out the aforesaid reporting procedures. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities. The 2017 PBOC Circular applies to the issue of Notes under the Programme by the Bank or its onshore branches, but does not explicitly state whether it applies to offshore branches of financial institutions incorporated in the PRC.

Further, for the purpose of calculating the risk-weighted cross-border financing balance as prescribed in the 2017 PBOC Circular, the foreign debt (including but not limited to the Notes) of offshore branches of financial institutions in the PRC are excluded from the calculation unless PBOC requires that the foreign debt be included if issue proceeds of the Notes is remitted into the PRC. If reporting is required but not complied with, PBOC and/or SAFE may, among other things, (a) issue a notice of censure, (b) request rectification within a time limit, (c) impose a penalty according to the Law of People’s Republic of China on the People’s Bank of China and the Regulation of the People’s Republic of China on the Management of Foreign Exchanges, (d) suspend cross-border financing of the institution, and (e) collect risk reserves from the institution. In addition, in the worst case scenario, if reporting is required but not complied with, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to the enforcement as provided in Condition 15 (*Events of Default*). Pursuant to the Approval by the Enterprise Borrowing Foreign Debt Registration Certificate of 2019 (《企業借用外債備案登記證明》(發改辦外資備[2019]51號)) issued by the NDRC General Office on 24 January 2019 (the “**NDRC Approval**”), separate pre-issuance registration with the NDRC with respect to the Notes is not required. This NDRC Approval is subject to interpretation and application by relevant PRC authorities and the above-described uncertainties that apply to the 2017 PBOC Circular also apply to such approval.

***Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may have an adverse effect on the Group's business operations, financial condition and results of operations***

Any future natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 Flu, may adversely affect the Group's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Group and have adverse effects on the quality of its assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan and Qinghai provinces respectively, resulting in the death of tens of thousands of people. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business. There can be no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 Flu or other epidemics, or the measures taken by the PRC Government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 Flu or other epidemics, will not seriously interrupt the Group's operations or those of its customers, which may have an adverse effect on its business, financial condition and results of operations.

***Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group and the Group's management***

The Issuer and a number of the Group's subsidiaries are incorporated in the PRC and a substantial portion of the Group's assets are located in the PRC. In addition, a number of the Group's directors and senior management reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon such directors and senior management, including for matters arising under applicable securities law. The Issuer has irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts in the transaction documents relating to the Notes. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters (the "**Reciprocal Arrangements**") which allow for a final court judgment (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. However, certain matters may be excluded under the Reciprocal Arrangements and a judgment may be refused to be recognised and enforced by the requested place in certain circumstances such as for public policy reasons or where the judgment was obtained by fraud. As a general matter, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention does not have currently have any legal effect until it is ratified by the PRC government. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with numerous countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Noteholders to enforce any judgments obtained from such foreign courts against the Group, the Issuer or any of their respective directors or senior management in the PRC.

**Risks Relating to the Global Economy**

***Uncertainties and instability in global market conditions could adversely affect the Group's business, financial condition and results of operations***

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 had a negative and lasting impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In addition, on 23 June 2016, the United Kingdom held a

remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (“**Brexit**”). A process of negotiation will determine the future terms of the United Kingdom’s relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union’s free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries continue to face difficulties surrounding sovereign debt. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China’s economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on 6 July 2018, the United States imposed 25% tariffs on US\$34 billion worth of Chinese goods as part of President Donald Trump’s tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States’ products. On 18 September 2018, President Donald Trump imposed 10% tariffs on approximately US\$200 billion worth of Chinese goods and plans to further increase the rate to 25% in January 2019. In return, the PRC responded with tariffs on US\$60 billion of U.S. goods. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected, which would have a material and adverse impact on our business, financial condition and results of operation. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years.

The continuing slowdown of the global economy and increasing uncertainties in financial markets could adversely affect the Bank’s business, financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Bank’s customers or counterparties might default on their loan repayments or other obligations to the Bank, which, in turn, could result in the Bank recording a higher level of non-performing loans, allowance for impairment losses and write-offs;
- the increased regulation and supervision of the financial services industry, including the proposed implementation of new capital adequacy requirements under the Basel III, may restrict the Bank’s business flexibility and increase its compliance and operating costs;
- the value of the Bank’s investments in debt securities issued by overseas governments and financial institutions may significantly decrease;
- the Bank’s ability to raise additional capital on favourable terms, or at all, could be adversely affected; and
- trade and capital flow may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank’s business prospects.

The Bank cannot assure the investors that the various macroeconomic measures and monetary policies adopted by the PRC Government will be effective in maintaining a sustainable growth in China’s economy. If further economic downturn occurs, the Bank’s businesses, financial condition and results of operations could be materially and adversely affected.

Please see also “*Risks Relating to the Group’s Business*” and “*The Group is subject to risks associated with its derivative transactions and investment securities*” for further details.

## **Risks Relating to the Market Generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### ***Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Series, such Series is to be consolidated with and form a single series with a Series of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Relevant Obligor(s). If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Series of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Series of Notes.

### ***Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected***

Each Relevant Obligor will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes, and (3) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***Changes in market interest rates may adversely affect the value of Fixed Rate Notes***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## **Risks Relating to Subordinated Notes Issued under the Programme**

### ***Basel III and related reforms***

The Basel Committee has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss (the “**Basel III Reforms**”), the principal elements of which are set out in its papers dated 16 December 2010 (as revised in June 2011) and its press release dated 13 January 2011. The implementation of the Basel III Reforms in the PRC are currently under way by the CBIRC. The PBOC may also be involved in the process as the appropriate authority regarding certain issues.

CBIRC adopted Basel III risk-based capital regulations in June 2012, which is the CBIRC Measures, and brought them into force on 1 January 2013. The CBIRC Measures apply to all 511 commercial banks registered in the PRC, including small and medium-sized commercial banks that are not internationally active. The CBIRC Measures follow the implementation schedule stipulated by the Basel Committee. In November 2012, supplementary documents were published by the CBIRC, including additional requirements on capital instrument innovation, transitional arrangements, and capital adequacy ratio reporting. Based in part on the Regulatory Consistency Assessment Programme assessment process that began in January 2013, the CBIRC issued a number of additional regulatory notices in July 2013 that further align the domestic regulations with Basel standards. The main changes related to the treatment of banks' exposures to central counterparties and the disclosure requirements for capital instruments. In addition, the CBIRC issued a set of technical clarifications and requirements to complete important parts of the Chinese capital regulations and make them consistent with the international Basel III standards.

In accordance with the CBIRC Measures, all Tier 2 instruments which do not contain any contractual terms providing for their writing off or conversion into ordinary shares upon the occurrence of a Non-Viability Event (as defined below), will not be eligible to count in full as Tier 2 capital from 1 January 2013.

As used above, "Non-Viability Event" means the earlier of (a) a decision that a write-off or conversion into shares, without which the relevant bank would become non-viable, is necessary as determined by the CBIRC; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the relevant bank would become non-viable, as determined by the relevant regulatory authority in the PRC.

The Subordinated Notes may contain certain non-viability loss absorption provisions; it is also possible that the powers which may result from any future change to the CBIRC Measures or 2012 Guiding Opinions (defined below) or the application of relevant laws, including those arising from the Basel III Reforms (including CBIRC's implementation of the Basel III Reforms) or other similar regulatory proposals, could be used in such a way as to result in the Notes absorbing losses in the manner described above. The determination that all or part of the principal amount of the Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Relevant Obligor(s)' control. Because of this inherent uncertainty, it will be difficult to predict when, if at all, a principal write off or conversion to equity will occur. Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Furthermore, there can be no assurance that, prior to their implementation, the Basel Committee will not amend the Basel III Reforms. Furthermore, the relevant regulatory authority may implement the Basel III Reforms, including the provisions relating to terms which capital instruments are required to have, in a manner that is different from that which is currently envisaged or may impose more onerous requirements. Until fully implemented, no Relevant Obligor can predict the precise effect of the changes that will result from the implementation of the Basel III Reforms on the pricing or market value of the Notes. In addition, further changes in law after the date hereof may affect the rights of holders of the Notes as well as the market value of the Notes.

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing relevant entity so as to ensure the continuity of the relevant entity's critical financial and economic functions, while minimising the impact of a relevant entity's failure on the economy and financial system. The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool (see below) which applies from 1 January 2016.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to

transfer all or part of the business of the relevant entity to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims (including Notes) to equity or other instruments of ownership (the “**general bail-in tool**”), which equity or other instruments could also be subject to any future cancellation, transfer or dilution.

***The terms of Subordinated Notes may contain non-viability loss absorption provisions, and the occurrence of a non-viability event may be inherently unpredictable or may depend on a number of factors which may be outside of the Relevant Obligor(s)’ control***

To the extent that any series of Subordinated Notes contains provisions relating to loss absorption upon the occurrence of a Non-Viability Event of the Relevant Obligor(s) as determined by the relevant Regulatory Authority as specified in the applicable Pricing Supplement, additional provisions relating to the mechanics of the loss absorption and the respective roles of the Trustee and the Agents may have to be added to the Conditions of such Series, the Trust Deed and the Agency Agreement (each as defined in the Conditions) and the Relevant Obligor(s) may be required, subject to the terms of the relevant series of Subordinated Notes, irrevocably (without the need for the consent of the holders of the Subordinated Notes) to effect a full write-off or conversion into shares of the outstanding principal and accrued and unpaid interest in respect of such Subordinated Notes. Any written-off amount or converted shall be irrevocably lost and holders of such Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off or conversion.

The occurrence of a Non-Viability Event is dependent on a determination by the relevant Regulatory Authority (a) that a write-off or conversion into shares, without which the Relevant Obligor(s) would become non-viable, is necessary; or (b) to make a public sector injection of capital, or equivalent support, without which the Relevant Obligor(s) would have become non-viable. As a result, the relevant Regulatory Authority may require or may cause a write-off in circumstances that are beyond the control of the Relevant Obligor(s) and with which the Relevant Obligor(s) may not agree.

Because of the inherent uncertainty regarding the determination of whether a Non-Viability Event exists, it will be difficult to predict when, if at all, a write-off or conversion will occur. Accordingly, trading behaviour in respect of Subordinated Notes which have the non-viability loss absorption feature is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that any Relevant Obligor is trending towards a Non-Viability Event could have an adverse effect on the market price of the relevant Subordinated Notes.

Potential investors should consider the risk that a holder of Subordinated Notes which have the non-viability loss absorption feature may lose all of its investment in such Subordinated Notes, including the principal amount plus any accrued but unpaid interest, in the event that a Non-Viability Event occurs.

There is no assurance that any contractual provisions with non-viability loss absorption features, to the extent applicable, will be sufficient to satisfy the Basel III-compliant requirements that the Relevant Authorities may implement in the future. There is a risk that the Relevant Authorities may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

***Regulations on non-viability loss absorption are new, untested and subject to interpretation and application by regulations in the PRC***

The regulations on non-viability loss absorption are new and untested, and will be subject to the interpretation and application by the relevant authorities in the PRC. It is uncertain how the relevant Regulatory Authority (as specified in the relevant Pricing Supplement) would determine the occurrence of a Non-Viability Event, and it is possible that the grounds that constitute Non-Viability Events may change (including that additional grounds are introduced). Accordingly, the operation of any such future legislation may have an adverse effect on the position of holders of the Subordinated Notes.



A potential investor should not invest in the Subordinated Notes unless it has the knowledge and expertise to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the likelihood of a write-off or conversion and the value of the Subordinated Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular and in the applicable Pricing Supplement.

***Other regulatory capital instruments may not be subject to write-off or conversion***

If so specified in the relevant Pricing Supplement, when a Non-Viability Event occurs, the Relevant Obligor has the right (without any requirement for the consent of the Noteholders), on giving notice to the Noteholders, the Trustee and the Agents, to irrevocably cancel the principal amount of the Subordinated Notes (in whole but not in part) and cease the payment of any accrued but unpaid interest under the Subordinated Notes, in accordance with the Conditions of the Subordinated Notes.

However, the terms and conditions of other regulatory capital instruments issued by the Bank and its subsidiaries prior to 1 January 2013 may differ, as these instruments would not typically have any conversion or write-off features. In case of the occurrence of a Non-Viability Event, such pre-2013 regulatory capital instruments may not be converted into equity or be written-off even if the Subordinated Notes are required to be Written-off (as specified in the relevant Pricing Supplement).

***No limitation on issuing senior or pari passu securities in respect of Subordinated Notes***

There is no restriction on the amount of securities which any Relevant Obligor may issue and which rank senior to, or *pari passu* with, the Subordinated Notes. The issue of any such securities may reduce the amount recoverable by holders of Subordinated Notes in case of a winding-up of such Relevant Obligor. The Subordinated Notes are subordinated obligations of such Relevant Obligor. Accordingly, in the winding-up of such Relevant Obligor, there may not be a sufficient amount to satisfy the amounts owing to the holders of Subordinated Notes.

***The Bankruptcy Law of the PRC may be different from equivalent bankruptcy laws in other jurisdictions with which the Noteholders are familiar***

The Bank is incorporated under the laws of the People's Republic of China. Any bankruptcy procedure relating to the Bank may involve the Bankruptcy Law of the PRC, the procedures and major provisions of which may be different from the similar provisions set out in the bankruptcy laws in other jurisdictions with which the Noteholders are familiar.

***The Relevant Obligor's obligations under the Subordinated Notes are subordinated and there are limited remedies for non-payment under the Subordinated Notes***

The claims of the Noteholders for payment of principal and any interest under the Subordinated Notes may, in the event of the Winding-Up (as specified in the relevant Pricing Supplement) of any Relevant Obligor(s), be subordinated to the claims of depositors and general creditors of each Relevant Obligor and shall rank in priority to the claims of all holders of equity capital, Additional Tier 1 Capital Instruments (as specified in the relevant Pricing Supplement) and hybrid capital bonds of the Relevant Obligor, present or future, and will rank at least *pari passu* with the claims under any other Subordinated Indebtedness (as specified in the relevant Pricing Supplement) of the Relevant Obligor, present or future (including any other Tier 2 Capital Instruments (as specified in the relevant Pricing Supplement) expressed to rank *pari passu* with the Notes which may be issued in the future by the Relevant Obligor).

In the event of a shortfall of funds on a Winding-Up (as specified in the relevant Pricing Supplement) of the Relevant Obligor, there is a risk that an investor in the Notes will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Subordinated Notes.

The Noteholders shall not have any right to accelerate any payment of principal or interest under the Subordinated Notes other than upon the initiation of any cessation of business, bankruptcy or other Winding-up Proceedings (as specified in the relevant Pricing Supplement) of the Relevant Obligor.

Under the PRC laws and regulations, the prior approval of the CBIRC would need to be obtained in order for a Winding-Up (as specified in the relevant Pricing Supplement) of a Chinese bank to proceed.

***The provisions on available resources in the CBIRC Capital Regulations are subject to interpretation by the relevant regulatory authorities and the application of relevant laws, rules and regulations***

If so specified in the relevant Pricing Supplement, any payment of interest on the Subordinated Notes could be subject to the applicable regulatory requirements of the relevant regulatory authorities in effect at the time of such payment. As such, all payments of interest shall be made from the available resources of the Relevant Obligor(s). According to the Administrative Measures for the Capital of Commercial Banks of the PRC (for Trial Implementation) (商業銀行資產管理辦法(試行)) (the “**CBIRC Capital Regulation**”), any payment of income (in the case of Common Equity Tier 1 Capital Instruments (as defined in the CBIRC Capital Regulation)), dividend or interest (in the case of Additional Tier 1 Capital Instruments (as defined in the CBIRC Capital Regulation) or Tier 2 Capital Instruments (as defined in the CBIRC Capital Regulation)) is required to be made from available resources of the Bank. However, as the CBIRC Capital Regulations are new and untested, the Bank is not aware of any precedent in the market where the payment of dividend or interest was deferred, suspended or cancelled due to lack of available resources. The concept of available resources in the context of Common Equity Tier 1 Capital Instruments and Additional Tier 1 Capital Instruments is used in both domestic and offshore regulatory capital instruments issues, so the investors may be aware of and familiar with it while the concept of available resources in the context of Tier 2 Capital Instruments is not (1) introduced in Basel III, (2) contained in the terms and conditions of any offshore Tier 2 Capital Instruments, or (3) clarified in the CBIRC Capital Regulations or other relevant PRC laws and regulations. Therefore, it is uncertain how the PRC relevant authorities would define what constitutes available resources in the context of Tier 2 Capital Instruments and determine the occurrence of insufficient or no available resources. This in turn, results in uncertainty regarding the payment of interest.

As a result of the foregoing, there is uncertainty as to: (1) what constitutes available resources of the Bank, (2) under what circumstances would the Bank have insufficient or no available resources and (3) in the event of insufficient or no available resources, the impact on payment of interest, that is, whether in such event, payment of interest would be deferred, suspended temporarily or cancelled permanently. These aforementioned uncertainties are all subject to further interpretation by the relevant regulatory authorities and the application of relevant laws, rules and regulations. Such uncertainties would have an adverse effect on interest payments to investors, for example, payment of interest to investors may be deferred, suspended or cancelled, and there is a risk that the Noteholders may lose all or some of the interest due under the Subordinated Notes.

### **Risks Relating to Notes Issued under the Programme**

#### ***Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

- (vi) have sufficient knowledge and expertise (either alone or with a financial adviser) to evaluate the effect or the likelihood of the occurrence of a Non-Viability Event for Subordinated Notes which feature loss absorption.

***Investors shall pay attention to any modification, waivers and substitution***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the relevant Non-Guaranteed Notes Trust Deed, the relevant Guaranteed Notes Trust Deed, the relevant Deed of Guarantee or, as applicable, the relevant Alternative Trust Deed which is not prejudicial to the interests of the Noteholders; or (b) any modification of the Notes, the Receipts, the Coupons, the relevant Non-Guaranteed Notes Trust Deed, the relevant Guaranteed Notes Trust Deed, the relevant Deed of Guarantee or the relevant Alternative Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law as described in Condition 19 (*Meetings of Noteholders; Modification and Waiver*).

***Investors shall be aware of the effect of change of law***

The Conditions are based on English law (except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, the laws as specified in the relevant Pricing Supplement in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or the laws as specified in the Pricing Supplement, or administrative practices after the date of this Offering Circular.

***Considerations related to a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Notes linked to or referencing such “benchmarks”***

Interest rates and indices which are deemed to be or used as “benchmarks”, are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (“LIBOR”) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions. or result in other

consequences, in respect of any Notes linked to such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark, or otherwise dependent on (in whole or in part) upon, a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

*The value of, and return on, Floating Rate Notes linked to or referencing LIBOR may be adversely affected in the event of a permanent discontinuation of LIBOR*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR has been selected as the Reference Rate, the Terms and Conditions of the Bonds provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where LIBOR is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Floating Rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks, and the rate that would be applicable if LIBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is a "LIBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If LIBOR is permanently discontinued and the relevant screen rate or, failing that, quotations from banks are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

*Notes subject to optional redemption by the relevant Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### *Dual Currency Notes*

An Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

### *Partly-paid Notes*

An Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

### *Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Notes.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *The Notes are redeemable in the event of certain withholding taxes being applicable*

There can be no assurance as to whether or not payments on the Notes may be made without withholding taxes or deductions applying for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or thereof having power to tax, unless the

withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. Although pursuant to the Conditions, each Relevant Obligor is required to gross up payments on account of any such withholding taxes or deductions (whether by way of EIT, VAT or otherwise), a Branch Issuer or a Subsidiary Issuer also has the right to redeem the Notes at any time in the event (i) a Relevant Obligor has or will become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, (ii) such obligation cannot be avoided by the Relevant Obligor taking reasonable measures available to it, and (iii) in the case of Subordinated Notes, the prior written approval of the Regulatory(ies) specified in the relevant Pricing Supplement shall have been obtained.

If the relevant Issuer redeems the Notes prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, such Issuer's ability to redeem the Notes may reduce the market price of the Notes.

*The Trustee may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction*

In certain circumstances (including without limitation the giving of notice to the Relevant Obligor(s) pursuant to Condition 15 (*Events of Default*) and the taking of enforcement steps pursuant to Condition 20 (*Enforcement*)), the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the relevant Non-Guaranteed Notes Trust Deed, the relevant Guaranteed Notes Trust Deed, the relevant Deed of Guarantee, the relevant Alternative Trust Deed or the Conditions constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

*The Financial Institutions (Resolution) Ordinance may adversely affect the Notes*

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the Bank and other members of the Bank (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority will have the ability to resolve other entities within the Bank as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the Bank. In addition, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of nay priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes (whether senior or subordinated) may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

## **Risks Relating to Renminbi Denominated Notes**

A description of risks which may be relevant to an investor in Notes denominated in Renminbi (“**Renminbi Notes**”) are set out below.

### ***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes***

Renminbi is not freely convertible at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of any Relevant Obligor to source Renminbi to finance its obligations under Notes denominated in Renminbi.

### ***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and any Relevant Obligor’s ability to source Renminbi outside the PRC to service Renminbi Notes***

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People’s Bank of China (“**PBOC**”) has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the “**Renminbi Clearing Banks**”), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the “**Settlement Arrangements**”), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent a Relevant Obligor is required to source Renminbi outside the PRC to service its Renminbi Notes, there is no assurance that such Relevant Obligor will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the Renminbi Notes is subject to exchange rate risks***

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. Each Relevant Obligor will make all payments of interest and principal with respect to Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another currency, the value in the currency of the investment made by a holder of the Renminbi Notes will decline.

***Investment in the Renminbi Notes is subject to interest rate risks***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate (“**Fixed Rate Notes**”) or have a resettable interest rate (“**Resettable Notes**”). Consequently, the trading price of the Renminbi Notes which are Fixed Rate Notes or Resettable Notes will vary with the fluctuations in the Renminbi interest rates. If holders of such Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

***Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes***

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes or Global Note Certificates held with the common depository for Euroclear and Clearstream, Luxembourg, deposited with a custodian of DTC, lodged with a sub-custodian for or registered with the CMU Services or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the Conditions, no Relevant Obligor can be required to make payment by any other means (including in any other currency or in bank instruments, by cheque or draft or by transfer to a bank account in the PRC).

***Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws***

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax (“**EIT**”) or PRC individual income tax (“**IIT**”) if such gain is regarded as income derived from sources within the PRC. While the *PRC Enterprise Income Tax Law* levies EIT at the rate of 20% of the gains derived by such non-PRC resident enterprise Holder from the transfer of the Renminbi Notes, its implementation rules have reduced the enterprise income tax rate to 10%. In accordance with the *PRC Individual Income Tax Law* and its implementation rules (as amended from time to time), any gain realised by a non-PRC resident individual Holder from the transfer of the Notes may be regarded as being sourced from the PRC and thus be subject to IIT at a rate of 20% of the gains derived by such non-PRC resident individual Holder from the transfer of the Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on any capital gains derived from a sale or exchange of the Notes.



Therefore, if non-PRC resident enterprise or resident individual Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes (such EIT is currently levied at the rate of 10% of gains realised and such IIT is currently levied at the rate of 20% of gains realised (with deduction of reasonable expenses)), unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT (however, qualified holders may not enjoy the treaty benefit automatically but through a successful application with the PRC tax authorities), the value of their investment in Renminbi Notes may be materially and adversely affected.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used by the relevant Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## FORMS OF THE NOTES

### **Bearer Notes**

Each Series of Notes to be issued in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”, together with the Temporary Global Note, the “**Global Note**”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note will be deposited on or around the issue date of the relevant Series of the Notes with a depository or a common depository for Euroclear as operator of the Euroclear System and/or Clearstream, Luxembourg and/or any other relevant clearing system and/or a sub-custodian for the CMU Service.

In the case of each Series of Bearer Notes, the relevant Pricing Supplement will also specify whether the C Rules or the D Rules are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the C Rules nor the D Rules are applicable.

### ***Temporary Global Note exchangeable for Permanent Global Note***

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Series of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

### ***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the C Rules are applicable or that neither the C Rules nor the D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Series of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the D Rules are applicable, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Series of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be issued in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (a) Euroclear or Clearstream, Luxembourg, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (b) any of the circumstances described in Condition 15 (*Events of Default*) occurs in respect of any Note of the relevant Series.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

### ***Legend concerning United States persons***

In the case of any Series of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE.”

### **Registered Notes**

Each Series of Notes in registered form (“**Registered Notes**”) will be represented by either:

- (i) individual Note Certificates in registered form (“**Individual Note Certificates**”); or
- (ii) one or more global note certificate or unrestricted global note certificates (“**Unrestricted Global Note Certificate(s)**”) in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S (“**Unrestricted Notes**”) and/or one or more restricted global note certificates (“**Restricted Global Note Certificates**”) in the case of Registered Notes sold to QIBs in reliance on Rule 144A (“**Restricted Notes**”),

in each case as specified in the relevant Pricing Supplement, and references in this Offering Circular to “Global Note Certificates” shall be construed as to include Unrestricted Global Note Certificates and Restricted Global Note Certificates.

Each Note to be cleared through DTC and represented by an Unrestricted Global Note Certificate or a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and the relevant Global Note Certificate will be deposited on or about the issue date with the DTC Custodian.

Each Note to be cleared through Euroclear, Clearstream, Luxembourg or CMU Service and represented by a Global Note Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or in respect of CMU Notes, a sub-custodian for the CMU Service and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository or sub-custodian.

If the relevant Pricing Supplement specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

***Global Note Certificate exchangeable for Individual Note Certificates***

If the relevant Pricing Supplement specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Note Certificates, each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Note Certificate”, then:
  - (a) in the case of any Global Note Certificate held by or on behalf of DTC, if DTC notifies the relevant Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
  - (b) in the case of any Global Note Certificate held by or on behalf of, Euroclear and/or Clearstream, Luxembourg, the CMU Service and/or any other clearing system (other than DTC), if Euroclear, Clearstream, Luxembourg, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
  - (c) in any case, if any of the circumstances described in Condition 15 (*Events of Default*) occurs in respect of any Note of the relevant Series.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the relevant Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person’s holding). In addition, whenever a Restricted Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that

the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under “*Transfer Restrictions*”.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the relevant Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

## TERMS AND CONDITIONS OF THE NOTES

*The following (other than the words in italics) is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Forms of the Notes” and “Summary of Provisions Relating to the Notes while in Global Form”.*

### 1. Introduction

- (a) **Programme:** Bank of China Limited (the “**Bank**”) has established a Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$40,000,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) **Pricing Supplement:** The terms and conditions applicable to any particular tranche of Notes (a “**Tranche**”) are set out in the relevant pricing supplement (the “**Pricing Supplement**”) which supplements, amends and/or replaces these terms and conditions (the “**Conditions**”). In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail. Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more Tranches. Each Series of Notes may be issued by the Bank, any branch of the Bank (each a “**Branch Issuer**”) or any Subsidiary of the Bank (each a “**Subsidiary Issuer**”), as specified in the relevant Pricing Supplement. Notes issued by a Subsidiary Issuer may be unconditionally and irrevocably guaranteed by the Guarantor (as defined below) as specified in the relevant Pricing Supplement. References herein to the “**Relevant Obligor(s)**” are to the relevant Issuer, and, in the case of any Guaranteed Note, each of the relevant Issuer and the relevant Guarantor.
- (c) **Trust Deed:**
- (i) Non-Guaranteed Notes are constituted by, are subject to, and have the benefit of, an amended and restated trust deed dated 3 April 2018 (as further amended or supplemented from time to time, the “**Non-Guaranteed Notes Principal Trust Deed**”) between the Bank (on behalf of itself and each Branch Issuer) and The Bank of New York Mellon, London Branch as trustee (the “**Trustee**”, which expression includes, where the context requires, all persons for the time being trustee or trustees appointed under the Non-Guaranteed Notes Principal Trust Deed). In order for a Subsidiary Issuer to issue Non-Guaranteed Notes, such Subsidiary Issuer shall, in respect of such Non-Guaranteed Notes, (A) accede to the Non-Guaranteed Notes Principal Trust Deed by executing an accession deed between such Subsidiary Issuer and the Trustee, or (B) supplement the Non-Guaranteed Notes Principal Trust Deed by executing a supplemental trust deed between such Subsidiary Issuer, the Bank and the Trustee, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Non-Guaranteed Notes Principal Trust Deed, the “**Non-Guaranteed Notes Trust Deed**”).
- (ii) Guaranteed Notes are constituted by, are subject to, and have the benefit of, an amended and restated trust deed dated 3 April 2018 (as amended or supplemented from time to time, the “**Guaranteed Notes Principal Trust Deed**”) between the Bank (on behalf of itself as Issuer and each Overseas Branch (as defined below) as Guarantor) and the Trustee (which expression includes, where the context requires, all persons for the time being trustee or trustees appointed under the Guaranteed Notes Principal Trust Deed). In order for a Subsidiary Issuer to issue Guaranteed Notes, such Subsidiary Issuer shall, in respect of such Guaranteed Notes, (A) accede to the Guaranteed Notes Principal Trust Deed by executing an accession deed between such Subsidiary Issuer and the Trustee, or (B) supplement the Guaranteed Notes Principal Trust Deed by executing a supplemental trust deed between such Subsidiary Issuer, the Bank and the Trustee, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Guaranteed Notes Principal Trust Deed, the “**Guaranteed Notes Trust Deed**”). The relevant Guarantor must execute a deed of guarantee to be dated on or before the relevant Issue Date (each as amended or supplemented from time to time, a “**Deed of Guarantee**”).
- (iii) Notes issued by the Bank may be constituted by either the Non-Guaranteed Notes Principal Trust Deed or the Guaranteed Notes Principal Trust Deed as specified in the relevant Pricing Supplement.

- (iv) Without prejudice to the foregoing, if the relevant Pricing Supplement specifies that an alternative trustee shall be appointed for a relevant Series of Notes, such Series of Notes shall be constituted by a deed (as further amended or supplemented from time to time, the “**Alternative Trust Deed**”) between the relevant Issuer (and in the case of Notes issued by a Branch Issuer or a Subsidiary Issuer, the Bank) and the specified alternative trustee (the “**Alternative Trustee**”) incorporating the Non-Guaranteed Notes Principal Trust Deed or the Guaranteed Notes Principal Trust Deed, as the case may be. The Alternative Trustee shall be the Trustee for the purposes of the Conditions applicable to such Series of Notes.

(d) *Agency Agreement:*

- (i) Non-Guaranteed Notes are the subject of an amended and restated issue and paying agency agreement dated 3 April 2018 (as further amended or supplemented from time to time, the “**Non-Guaranteed Notes Principal Agency Agreement**”) between the Bank (on behalf of itself and each Branch Issuer), The Bank of New York Mellon, London Branch and The Bank of New York Mellon as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch, The Bank of New York Mellon and The Bank of New York Mellon, Hong Kong Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the “**CMU Lodging and Paying Agent**”, which expression includes any successor CMU lodging and paying Agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent and the CMU Lodging and Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them. In order for a Subsidiary Issuer to issue Non-Guaranteed Notes, such Subsidiary Issuer shall, in respect of such Non-Guaranteed Notes, (A) accede to the Non-Guaranteed Notes Principal Agency Agreement by executing an accession agreement between such Subsidiary Issuer, the Trustee and the Agents named therein, or (B) supplement the Non-Guaranteed Notes Principal Agency Agreement by executing a supplemental agency agreement between such Subsidiary Issuer, the Bank, the Trustee and the Agents named therein, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Non-Guaranteed Notes Principal Agency Agreement, the “**Non-Guaranteed Notes Agency Agreement**”).
- (ii) Guaranteed Notes are the subject of an amended and restated issue and paying agency agreement dated 3 April 2018 (as amended or supplemented from time to time, the “**Guaranteed Notes Principal Agency Agreement**”) between the Bank (on behalf of itself as Issuer and each Overseas Branch (as defined below) as Guarantor), the Trustee and the Agents named therein. In order for a Subsidiary Issuer to issue Guaranteed Notes, such Subsidiary Issuer shall, in respect of such Guaranteed Notes, (A) accede to the Guaranteed Notes Principal Agency Agreement by executing an accession agreement between such Subsidiary Issuer, the Trustee and the Agents named therein, or (B) supplement the Guaranteed Notes Principal Agency Agreement by executing a supplemental agency agreement between such Subsidiary Issuer, the Bank, the Trustee and the Agents named therein, in each case, dated on or before the relevant Issue Date (as amended or supplemented from time to time and together with the Guaranteed Notes Principal Agency Agreement, the “**Guaranteed Notes Agency Agreement**”).
- (iii) Notes issued by the Bank may be the subject of the Non-Guaranteed Notes Principal Agency Agreement (in case of Notes constituted by the Non-Guaranteed Notes Principal Trust Deed) or the Guaranteed Notes Principal Agency Agreement (in case of Notes constituted by the Guaranteed Notes Principal Trust Deed).
- (iv) Without prejudice to the foregoing, if the relevant Pricing Supplement specifies that an Alternative Trustee shall be appointed for the relevant Series of Notes, neither the Non-Guaranteed Notes Principal Agency Agreement nor the Guaranteed Notes Principal



Agency Agreement shall apply to such Series of Notes and such alternative arrangement (as further amended or supplemented from time to time, the “**Alternative Agency Agreement**”) as specified in the Pricing Supplement shall apply.

- (e) **The Notes:** The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.
- (f) **Summaries:** Certain provisions of these Conditions are summaries of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the relevant Deed of Guarantee, as applicable, and the Agency Agreement applicable to them. Copies of the Trust Deed, each Deed of Guarantee, as applicable and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of the Paying Agents and the principal office in Hong Kong of the Principal Paying Agent.

## 2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Pricing Supplement;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Business Day**”, other than in Condition 3(g) (*Registration and delivery of Note Certificates*) means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Principal Paying Agent or such other Person, in each case as specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

“**Calculation Amount**” has the meaning given in the relevant Pricing Supplement;

a “**Change of Control**” occurs when the Bank ceases to have Control of the Issuer. For the avoidance of doubt, the Bank shall cease to Control the Issuer if both limbs (i) and (ii) in the definition of “Control” cannot be satisfied;

“**CMU Service**” means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

“**Control**” means (where applicable), with respect to a Person, (i) the ownership, acquisition or control of the Relevant Percentage of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove the Relevant Percentage of the members of the Person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Dated Subordinated Notes**” means Notes specified in the applicable Pricing Supplement as dated subordinated notes;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(i) if “**Actual/Actual (ICMA)**” is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

- (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
  - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;
- (ii) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**DTC**” means The Depository Trust Company;

“**Early Redemption Amount (Change of Control)**” means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

“**Extraordinary Resolution**” has the meaning ascribed to it in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**First Interest Payment Date**” means the date specified in the relevant Pricing Supplement;

“**Fixed Coupon Amount**” has the meaning given in the relevant Pricing Supplement;

“**Guarantee of the Notes**” means the guarantee of the Notes given by the relevant Guarantor in the relevant Deed of Guarantee;

“**Guaranteed Notes**” means Notes issued by a Subsidiary Issuer which are guaranteed by the Guarantor as specified in the relevant Pricing Supplement;

“**Guarantor**” means such Overseas Branch as specified in the relevant Pricing Supplement as guarantor of the Guaranteed Notes;

“**Holder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“**Interest Determination Date**” has the meaning given in the relevant Pricing Supplement;

“**Interest Payment Date**” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**Issuer**” means the Bank, the Branch Issuer or the Subsidiary Issuer, as specified in the relevant Pricing Supplement;

“**Macau**” means the Macau Special Administrative Region of the People’s Republic of China;

“**Margin**” has the meaning given in the relevant Pricing Supplement;

**“Material Subsidiary”:**

- (i) in the case of (A) Notes issued by the Bank or a Branch Issuer, or (B) Guaranteed Notes, means, a Subsidiary of the Bank whose total assets or total revenue as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which the audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the Bank, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer; and
- (ii) in the case of Non-Guaranteed Notes issued by a Subsidiary Issuer, has the meaning given in the relevant Pricing Supplement;

**“Maturity Date”** has the meaning given in the relevant Pricing Supplement;

**“Maximum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Minimum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“NDRC”** means the National Development and Reform Commission;

**“NDRC Circular”** means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules or policies as issued by the NDRC from time to time;

**“Non-Guaranteed Notes”** means Notes issued by a Branch Issuer or a Subsidiary Issuer which are not guaranteed and specified as such in the relevant Pricing Supplement;

**“Noteholder”**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

**“Optional Redemption Amount (Call)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Optional Redemption Amount (Put)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Optional Redemption Date (Call)”** has the meaning given in the relevant Pricing Supplement;

**“Optional Redemption Date (Put)”** has the meaning given in the relevant Pricing Supplement;

**“Overseas Branch”** means a branch of the Bank which is outside the PRC;

**“Participating Member State”** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**“Payment Business Day”** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

- (B) in the case of payment by transfer to an account, (a) a TARGET Settlement Day and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**PRC**” means, for the purpose of these Conditions, the People’s Republic of China excluding Hong Kong, Macau and Taiwan;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to Australian dollars, it means Sydney and in relation to New Zealand dollars, it means Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent or, in each case, the principal financial centre as is specified in the applicable Pricing Supplement; and
- (iii) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

“**Public External Indebtedness**” means any indebtedness of a Relevant Obligor (or, for the purposes of Condition 15 (*Events of Default*), any Subsidiary of such Relevant Obligor), or any guarantee or indemnity by a Relevant Obligor of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

“**Reference Banks**” has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

“**Relevant Percentage**” means, in respect of any Subsidiary Issuer, the percentage as specified in the relevant Pricing Supplement;

“**Reference Price**” has the meaning given in the relevant Pricing Supplement;

“**Reference Rate**” has the meaning given in the relevant Pricing Supplement;

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Pricing Supplement;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Pricing Supplement;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, (in the case of any Guaranteed Note) modify any provision of the Guarantee of the Notes (other than the modifications pursuant to any further issue under Condition 21 (*Further Issues*)) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Securities Act**” means the United States Securities Act of 1933, as amended;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;



**“Senior Guaranteed Notes”** means the Senior Notes specified in the applicable Pricing Supplement as Senior Guaranteed Notes;

**“Senior Notes”** means Notes specified in the applicable Pricing Supplement as senior notes (including the Senior Guaranteed Notes);

**“Specified Clearing System”** means the clearing system specified in the relevant Pricing Supplement in respect of a Tranche of Notes for which no Note Certificates are to be issued;

**“Specified Currency”** has the meaning given in the relevant Pricing Supplement;

**“Specified Denomination(s)”** has the meaning given in the relevant Pricing Supplement;

**“Specified Office”** has the meaning given in the Agency Agreement;

**“Specified Period”** has the meaning given in the relevant Pricing Supplement;

**“Subordinated Guaranteed Notes”** means the Subordinated Notes specified in the applicable Pricing Supplement as Subordinated Guaranteed Notes, which are either Dated Subordinated Notes or Undated Subordinated Notes;

**“Subordinated Notes”** means Notes specified in the applicable Pricing Supplement as subordinated notes, which are either Dated Subordinated Notes or Undated Subordinated Notes (including the Subordinated Guaranteed Notes);

**“Subsidiary”** means, in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):

- (a) of which the first Person controls or has the power to control, 50 per cent. or more of the share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such person; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**“Talon”** means a talon for further Coupons;

**“TARGET Settlement Day”** means any day on which TARGET2 is open for the settlement of payments in euro;

**“TARGET2”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**“Tax Jurisdiction”** means the PRC and the relevant tax jurisdiction of a Relevant Obligor specified in the applicable Pricing Supplement, or in each case any political subdivision or any authority thereof or therein having power to tax payments made by such Relevant Obligor of principal or interest on the Notes, Receipts or Coupons;

**“Treaty”** means the Treaty establishing the European Communities, as amended;

**“Undated Subordinated Notes”** means Notes specified in the applicable Pricing Supplement as undated subordinated notes; and

**“Zero Coupon Note”** means a Note specified as such in the relevant Pricing Supplement.

(b) **Interpretation:** In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (*Taxation*), any undertaking given in addition to or substitution for Condition 14 (*Taxation*) pursuant to the Trust Deed, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 14 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “**outstanding**” shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “**not applicable**” then such expression is not applicable to the Notes; and
- (viii) any reference to:
  - (A) the Trust Deed shall be construed as a reference to the Non-Guaranteed Notes Trust Deed, the Guaranteed Notes Trust Deed or the relevant Alternative Trust Deed, as the case may be,
  - (B) the Agency Agreement shall be construed as a reference to the Non-Guaranteed Notes Agency Agreement, the Guaranteed Notes Agency Agreement or the relevant Alternative Agency Agreement, as the case may be,
  - (C) a Deed of Guarantee shall be construed as a reference to the relevant Deed of Guarantee, each as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. Form, Denomination, Title and Transfer

- (a) **Bearer Notes:** Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) **Title to Bearer Notes:** Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) **Registered Notes:** Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.
- (d) **Title to Registered Notes:** The Registrar will maintain a register outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note

Certificate will be numbered serially with an identifying number which will be recorded in the register (the “**Register**”). In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. If so specified in the relevant Pricing Supplement, no Note Certificate shall be issued in respect of the relevant Tranche of Notes, all references to “**Holder**” shall mean the person appearing in the records of the Specified Clearing System as the Accountholder entitled to such Notes and “**Noteholder**” shall be construed accordingly.

- (e) **Ownership:** The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note, the Deed of Guarantee, as applicable or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (f) **Transfers of Registered Notes:** Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are in Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) **Registration and delivery of Note Certificates:** Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) **Closed periods:** Noteholders may not require transfers to be registered:
  - (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes;
  - (ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 11(b) (*Redemption for tax reasons*) or Condition 11(c) (*Redemption at the option of the Issuer*); and
  - (iii) after a Change of Control Put Exercise Notice or Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 11(e) (*Redemption for Change of Control*) or Condition 11(f) (*Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders*).

- (j) **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

#### **4. Status of the Notes and Guarantee of Guaranteed Notes**

- (a) **Status of the Senior Notes:** The Senior Notes and any related Receipts and Coupons constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (b) **Status of the Subordinated Notes:**

Provisions relating to the status of Subordinated Notes will be set out in the relevant Pricing Supplement.

- (c) **Guarantee of the Senior Guaranteed Notes:**

In the case of any Senior Guaranteed Note, the Guarantor will in the Deed of Guarantee unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general, unconditional and unsubordinated obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (d) **Guarantee of the Subordinated Guaranteed Notes:**

In the case of any Subordinated Guaranteed Note, provisions relating to the status of the Guarantee of the Notes will be set out in the relevant Pricing Supplement.

#### **5. Covenants**

- (a) **Undertaking to Maintain Ratings:** So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of holders of the Notes, each Relevant Obligor undertakes that it will use all its reasonable endeavours to maintain the rating on the Notes by a Rating Agency specified in the relevant Pricing Supplement.
- (b) **Notification to NDRC:** Where the NDRC Circular applies to the Tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Bank undertakes to provide or cause to be provided a notification to the NDRC of the requisite information and documents within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Circular and any implementation rules as may be issued by the NDRC prior to the completion of such notification.

#### **6. Fixed Rate Note Provisions**

- (a) **Application:** This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 12 (*Payments – Bearer Notes*) and 13 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier

of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. Floating Rate Note Provisions

- (a) **Application:** This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 12 (*Payments – Bearer Notes*) and 13 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
  - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (B) determine the arithmetic mean of such quotations; and

- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (v) notwithstanding the foregoing, if the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as CNH HIBOR:

- (A) the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent.

- (B) and the Relevant Screen Page is not available or, if sub-paragraph (v)(A)(1) above applies and no such offered quotation appears on the Relevant Screen Page, or, if subparagraph (v)(A)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Hong Kong office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent. If all four Reference Banks provide the Calculation Agent with such offered quotations, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

- (C) if subparagraph (v)(B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in CNH for a period equal to that which would have been used for the Reference Rate by leading banks in the Hong Kong inter-bank market. If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest shall be (i) the offered rate for deposits in CNH for a period equal to that which would have been used for the Reference Rate by a bank, or (ii) the arithmetic mean of the offered rates for deposits in CNH for a period equal to that which would have been used for the Reference Rate by two or more banks, in each case as informed to the Calculation

Agent by such bank or banks (which shall be such bank or banks being in the opinion of the Issuer suitable for such purpose) as being quoted by each such bank at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date to leading banks in the Hong Kong inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period); and

(D) in no event shall the Rate of Interest be less than zero per cent. per annum.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the London inter-bank offered rate (LIBOR), (y) the Eurozone inter-bank offered rate (EURIBOR) or (z) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) **Calculation of other amounts:** If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on each Relevant Obligor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

#### **8. Deferral of Interest on Undated Subordinated Notes:**

Provisions relating to the deferral of interest on Undated Subordinated Notes will be set out in the relevant Pricing Supplement.

#### **9. Zero Coupon Note Provisions**

- (a) **Application:** This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

#### **10. Dual Currency Note Provisions**

- (a) **Application:** This Condition 10 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Rate of Interest:** If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

#### **11. Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, each Note which is not an Undated Subordinated Note will be redeemed at its Final Redemption Amount on the Maturity Date, subject as provided in Conditions 12 (*Payments – Bearer Notes*) and 13 (*Payments – Registered Notes*). If such Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 11 or Condition 15(b) (*Events of Default relating to Subordinated Notes*).



(b) **Redemption for tax reasons:** Subject (in the case of Subordinated Notes) to Condition 11(i) (*Additional Conditions for Redemption of Subordinated Notes*), where the Issuer is a Branch Issuer or a Subsidiary Issuer, the Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Pricing Supplement as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes; (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and (3) in the case of Subordinated Notes, the prior written approval of the Regulatory Authority(ies) specified in the relevant Pricing Supplement shall have been obtained

(B) in the case of Guaranteed Notes:

- (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes;
- (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it; and
- (3) in the case of Subordinated Guaranteed Notes, the prior written approval of the Regulatory Authority(ies) specified in the relevant Pricing Supplement shall have been obtained;

**provided, however, that** no such notice of redemption shall be given earlier than:

- (i) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Relevant Obligor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (ii) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Relevant Obligor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall procure that there is delivered to the Trustee (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (B) an opinion of independent legal advisers of recognised standing to the effect that the Relevant Obligor has or will become obliged to pay such additional amounts as a result of such change or amendment and, further (C) in the case of Subordinated Notes, a copy of the written approval of the Regulatory Authority(ies) specified in the applicable Pricing Supplement.

The Trustee shall be entitled without further enquiry to accept such written approval (where applicable), certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the holders of the Notes, Receipts and Coupons.

Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes accordingly.

(c) **Redemption at the option of the Issuer:** Subject (in the case of Subordinated Notes) to Condition 11(i) (*Additional Conditions for Redemption of Subordinated Notes*), if the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Relevant Obligor's having (1) in the case of Subordinated Notes, obtained the prior written approval from the Regulatory Authority(ies) specified in the applicable Pricing Supplement, and (2) given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 22 (*Notices*); and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the fixed date for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date (Call) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date (Call); **provided, however, that**, in the case of Subordinated Notes, such redemption shall be subject to the prior written approval of the relevant Regulatory Authority(ies) pursuant to the relevant regulations, as set out in the applicable Pricing Supplement, in effect at the applicable time.

(d) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 11(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) **Redemption for Change of Control:** In the case of Notes issued by a Subsidiary Issuer, subject (in the case of Subordinated Notes) to Condition 11(i) (*Additional Conditions for Redemption of Subordinated Notes*), if Change of Control Put is specified in the relevant Pricing Supplement as being applicable, at any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some

only, of that holder's Notes on the Change of Control Put Date at a price equal to the Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding, the Change of Control Put Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 22 (*Notices*). The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 11(e).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Noteholders (in accordance with Condition 22 (*Notices*)) and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 11(e).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to Noteholders or any other person for not doing so.

- (f) ***Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders:*** Subject (in the case of Subordinated Notes) to Condition 11(i) (*Additional Conditions for Redemption of Subordinated Notes*), if the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Senior Note or, as the case may be, any Dated Subordinated Note, redeem such Senior Note or, as the case may be, any Dated Subordinated Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(f), the Holder of a Senior Note or a Dated Subordinated Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Senior Note or, as the case may be, such Dated Subordinated Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Senior Note or, as the case may be, or a Dated Subordinated Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Senior Noteholder or Dated Subordinated Noteholder. No Senior Note or Dated Subordinated Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Senior Note or Dated Subordinated Note becomes immediately due and payable or, upon due presentation of any such Senior Note or Dated Subordinated Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Senior Noteholder or Dated Subordinated Noteholder at such address as may have been given by such Senior Noteholder or such Dated Subordinated Noteholder in the relevant Put Option Notice and shall hold such Senior Note or such Dated Subordinated Note at its Specified Office for collection by the depositing Senior Noteholder or Dated Subordinated Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Senior Note or Dated Subordinated Note is held by a Paying Agent in accordance with this Condition 11(f), the depositor of such Senior Note or such Dated Subordinated Note and not the Paying Agent shall be deemed to be the Holder of such Senior Note or such Dated Subordinated Note for all purposes. Any Put Option Notice given by a Holder pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred in which event such Holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note or Dated Subordinated Note forthwith due and payable pursuant to Condition 15 (*Events of Default*).

- (g) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 11(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) **Purchase:** Any Relevant Obligor or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. The Notes so purchased, while held by or on behalf of any Relevant Obligor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 19(a) (*Meetings of Noteholders*).
- (i) **Additional Conditions for Redemption of Subordinated Notes:** The additional conditions for redemption of Subordinated Notes (including, but not limited to, conditions for redemption of Subordinated Notes for regulatory reasons) will be specified in the applicable Pricing Supplement.

## 12. Payments – Bearer Notes

This Condition 12 is only applicable to Bearer Notes.

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.
- (b) **Interest:** Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

*Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.*

- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

- (d) **Payments subject to fiscal laws:** All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*), and (ii) notwithstanding the provisions of Condition 14 (*Taxation*), any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 14 (*Taxation*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) **Unmatured Coupons void:** If the relevant Pricing Supplement specifies that this Condition 12(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 11(b) (*Redemption and Purchase – Redemption for tax reasons*), Condition 11(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), Condition 11(e) (*Redemption for Change of Control*) or Condition 11(f) (*Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders*) or Condition 15 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) **Payments on business days:** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

### 13. Payments – Registered Notes

This Condition 13 is only applicable to Registered Notes.

- (a) **Principal:** Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) **Interest:** Payments of interest shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

*Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.*

- (c) **Payments subject to fiscal laws:** All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*), and (ii) notwithstanding the provisions of Condition 14 (*Taxation*), any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 14 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) **Payments on business days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13 arriving after the due date for payment or being lost in the mail.
- (e) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) **Record date:** Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

*So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

#### **14. Taxation**

- (a) All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of a Relevant Obligor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, such Relevant Obligor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.
- (b) If any Relevant Obligor becomes subject at any time to any taxing jurisdiction other than the Tax Jurisdiction(s), references in these Conditions to the Tax Jurisdiction(s) shall be construed as references to the Tax Jurisdiction(s) and/or such other jurisdiction.

## 15. Events of Default

### (a) *Events of Default relating to Senior Notes*

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Senior Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Relevant Obligor(s) declaring the Senior Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

- (i) *Non-Payment*: the Relevant Obligors fail to pay the principal of, or any interest on, any of the Notes when due and such failure continues for a period of 30 days;
- (ii) *Breach of Other Obligations*: any Relevant Obligor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Guarantee, as applicable, the Trust Deed, the Agency Agreement and such default remains unremedied for 45 days after written notice has been delivered to the Relevant Obligor(s);
- (iii) *Cross-Default*:
  - a. any other present or future Public External Indebtedness of a Relevant Obligor or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or
  - b. any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period,

provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 15(a)(iii) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent;

- (iv) *Insolvency*: any Relevant Obligor or any of the Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of any Relevant Obligor or any of the Material Subsidiaries;
  - (v) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of any Relevant Obligor or any of the Material Subsidiaries, or any Relevant Obligor ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Noteholders, or (b) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in any Relevant Obligor or another of its Subsidiaries;
  - (vi) *Illegality*: it is or will become unlawful for any Relevant Obligor to perform or comply with any one or more of its obligations under any of the Notes, Coupons, the Deed of Guarantee, as applicable or the Trust Deed; or
  - (vii) *Guarantee not in force*: in the case of Guaranteed Notes, the Guarantee of the Notes or the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.
- (b) *Events of Default relating to Subordinated Notes*:

Events of Default relating to Subordinated Notes will be set out in the relevant Pricing Supplement.



## 16. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## 17. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Relevant Obligor(s) may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

## 18. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with any Relevant Obligor and any entity relating to a Relevant Obligor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Deed of Guarantee, as applicable and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Relevant Obligor(s) and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Relevant Obligor(s) reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (i) the Relevant Obligor(s) shall at all times maintain a principal paying agent and a registrar; and
- (ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Relevant Obligor(s) shall at all times maintain a Calculation Agent; and
- (iii) the Relevant Obligor(s) shall at all times maintain a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU Service; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Relevant Obligor(s) shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

The Trust Deed provides that, in respect of any Tranche of Notes, the Relevant Obligor(s) may enter into a deed with the Alternative Trustee incorporating all the provisions of the Trust Deed (as modified or amended by such deed or the relevant Pricing Supplement) and thereby constituting such Notes. In such event The Bank of New York Mellon, London Branch as trustee of the Trust Deed shall have no liability or responsibility whatsoever for the appointment of the Alternative Trustee or for any acts, omissions or defaults of any such Alternative Trustee and no fiduciary or agency relationship between any Holder of such Notes and it will be created or implied to be created.

## 19. Meetings of Noteholders; Modification and Waiver

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by any Relevant Obligor or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of Notes outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification and waiver:** The Trustee may, but shall not be obliged to, without the consent of the Noteholders, agree to any modification of these Conditions, the Deed of Guarantee, as applicable or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Deed of Guarantee, as applicable or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, but shall not be obliged to, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Deed of Guarantee, as applicable or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

## 20. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed or the Deed of Guarantee, as applicable in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or pre-funded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against any Relevant Obligor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

## 21. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, first Interest Payment Date and if applicable, and the timing for notification to the NDRC) so as to form a single series with the Notes. The Issuer may from time to time create and issue other series of notes having the benefit of the Trust Deed.

## 22. Notices

- (a) **Bearer Notes:** Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) **Registered Notes:** Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

*So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg or DTC, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg, the CMU Service and/or the alternative clearing system, as the case may be.*

## 23. Currency Indemnity

If any sum due from any Relevant Obligor in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against such Relevant Obligor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, such Relevant Obligor shall indemnify each Noteholder, on the written demand of such Noteholder addressed to such Relevant Obligor and delivered to such Relevant Obligor or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each Relevant Obligor and shall give rise to a separate and independent cause of action.

## 24. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar

amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 25. Governing Law and Jurisdiction

- (a) **Governing law:** The Notes, the Trust Deed, the Deed of Guarantee, as applicable and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed and the Deed of Guarantee, as applicable are governed by English law except that subordination provisions relating to Subordinated Notes in the Trust Deed and the Deed of Guarantee, as applicable, are governed by the laws of the People's Republic of China or such law as specified in the applicable Pricing Supplement and provisions in the applicable Pricing Supplement are governed by, and shall be construed in accordance with such law as specified in the applicable Pricing Supplement.
- (b) **Jurisdiction:** The Relevant Obligor(s) have in the Trust Deed and (in the case of any Guaranteed Notes) the Guarantor has in the Deed of Guarantee (i) agreed for the benefit of the Trustee and the Noteholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) designated a person in Hong Kong to accept service of any process on its behalf.
- (c) **Waiver of immunity:** To the extent that any Relevant Obligor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to such Relevant Obligor or its assets or revenues, such Relevant Obligor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.
- (d) **Consent to enforcement, etc:** Each Relevant Obligor irrevocably and generally consents in respect of any proceedings anywhere to the giving of any relief or the issue and service on it of any process in connection with those proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those proceedings.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Series of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.*

**Pricing Supplement dated [●]**

**[Bank of China Limited/[specify Branch Issuer]]/[specify Subsidiary Issuer]**

**Issue of [Aggregate Nominal Amount of Series] [Title of Notes]  
under the U.S.\$40,000,000,000 Medium Term Note Programme**

**[guaranteed by Bank of China Limited [, [specify] Branch]]**

**“MiFID II product governance/target market – [appropriate target market legend to be included]”**

**[PRIIPs Regulation/[Prospectus Directive/] PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) (together, “**Professional Investors**”) only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer[, the Guarantor] or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer [and the Guarantor]. The Issuer [and the Guarantor each] accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated 4 April 2019. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [and the supplemental Offering Circular dated [date]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement.]*

1. [(i)] Issuer: [Bank of China Limited/[specify Branch Issuer]]/[specify Subsidiary Issuer]  
[(ii)] Guarantor Bank of China Limited[, [specify] Branch]]
2. [(i)] Series Number: [●]  
[(ii)] Tranche Number: [●]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]*
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount: [●]  
[(i)] Series: [●]  
[(ii)] Tranche: [●]]
5. (i) Issue Price: [●]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
(ii) Net Proceeds: [●] [(Required only for listed issues)]
6. (i) Specified Denominations<sup>1, 2</sup>: [●]  
(ii) Calculation Amount: [●]
7. (i) Issue Date: [●]

<sup>1</sup> Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

<sup>2</sup> If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: 100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]. In relation to any issue of Notes which are a “Global Note exchangeable for Definitive Notes” in circumstances other than “in the limited circumstances specified in the Global Notes”, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

- (ii) Interest Commencement Date: *[Specify/Issue Date/Not Applicable]*
8. [(i)] Status of the Notes: *[Senior/Subordinated]*
- [(ii)] Status of the Guarantee of the Notes: *[Specify in the case of Subordinated Guaranteed Notes]*
9. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>3</sup>*
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
10. Interest Basis: *[[●]% Fixed Rate]*
- [[Specify reference rate] +/- [●]% Floating Rate]*
- [Zero Coupon]*
- [Other (Specify)]*
- (further particulars specified below)*
11. Redemption/Payment Basis: *[Redemption at par]*
- [Dual Currency]*
- [Partly Paid]*
- [Instalment]*
- [Other (Specify)]*
12. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
- [Not applicable]*
13. Put/Call Options: *[Investor Put]*
- [Issuer Call]*

<sup>3</sup> Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

[Change of Control Put] (*only applicable to Notes issued by a Subsidiary Issuer*)

[(further particulars specified below)]

14. Listing: [Hong Kong/Other (*specify*)/None] (For Notes to be listed on the [Hong Kong Stock Exchange], insert the expected effective listing date of the Notes)
15. [(i)] [Date of [Board] approval for issuance of Notes [and the Guarantee of the Notes] [respectively]] obtained: [Board] approval: [●] [and [●], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
- [(ii)] [Date regulatory approval(s) for issuance of Notes obtained] [describe approval obtained] from [identify relevant regulator] dated [●]
16. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●]% per annum payable [annually/semi-annually/quarterly/monthly/ other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount<sup>4</sup>
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

<sup>4</sup> For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.



18. **Floating Rate Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period(s): [[●] , subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (ii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)*
- (iii) Specified Interest Payment Dates: [[●], subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)*
- (iv) First Interest Payment Date: [●]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*] [Not Applicable]
- (vi) Additional Business Centre(s): [Not Applicable/*give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[*Name*] shall be the Calculation Agent *(no need to specify if the Principal Paying Agent is to perform this function)*]

- (ix) Screen Rate Determination:
- Reference Rate: *[For example, LIBOR or EURIBOR]*
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: *[For example, Reuters LIBOR 01/EURIBOR 01]*
  - Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
  - Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (x) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) Margin(s):  $[+/-][●]\%$  per annum
- (xii) Minimum Rate of Interest:  $[●]\%$  per annum
- (xiii) Maximum Rate of Interest:  $[●]\%$  per annum
- (xiv) Day Count Fraction: [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]

19. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [●] % per annum
- (ii) [Reference Price: [●]]
- (iii) [Day Count Fraction in relation to Early Redemption Amounts: [[30/360] [Actual/360] [Actual/365]] [*specify other*]]
- (iv) Any other formula/basis of determining amount payable: [*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 11(f)*]

20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]

22. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
23. **Change of Control Put** [Applicable/Not Applicable] *(only applicable to Notes issued by a Subsidiary Issuer)*
24. **Final Redemption Amount of each Note** [●] per Calculation Amount
25. **Early Redemption Amount** [Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, change of control or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *(If each of the Early Redemption Amount (Tax), Early Redemption Amount (Change of Control) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax), Early Redemption Amount (Change of Control) and/or the Early Termination Amount if different from the principal amount of the Notes)]*

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. **Form of Notes:**
- Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]<sup>5</sup>
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]<sup>5</sup>
- Registered Notes:**
- [Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Note Certificate]

<sup>5</sup> if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including €199,000", the Temporary/Permanent Global Note shall not be exchangeable on [●] days notice.

- [Other (as applicable): [●]]
27. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details].  
*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraph 18(vi) relates]*
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/give details]
30. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
31. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
32. Consolidation provisions: [The provisions in Condition 21 (*Further Issues*)] [annexed to this Pricing Supplement] apply
33. Any applicable currency disruption/fallback provisions: [Not Applicable/give details]
34. Other terms or special conditions: [Not Applicable/give details]  
*[Insert provisions for Subordinated Notes]*

## DISTRIBUTION

35. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
36. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
37. [Total commission and concession: [●]% of the Aggregate Nominal Amount]
38. U.S. Selling Restrictions: [Reg. S Category [1/2/3]]/[Rule 144A];  
*(In the case of Bearer Notes) – [C RULES/ D RULES/TEFRA Not Applicable]*  
*(In the case of Registered Notes) – TEFRA Not Applicable*

39. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*
40. Additional selling restrictions: [Not Applicable/give details]

#### OPERATIONAL INFORMATION

41. ISIN Code: [●]
42. Common Code: [●]
43. Legal Entity Identifier: [●]
44. CUSIP: [●]
45. CMU Instrument Number: [●]
46. Any clearing system(s) other than Euroclear/Clearstream, Luxembourg, DTC and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
47. Delivery: Delivery [against/free of] payment
48. Trustee: [The Bank of New York Mellon, London Branch]
49. Additional Paying Agent(s) (if any): [Not Applicable/give details]
50. Alternative Trustee (if any): [Not Applicable/give details]

#### GENERAL

51. The aggregate principal amount of Notes issued has been translated into United States dollars at the rate of [●], producing a sum of (for Notes not denominated in United States dollars): [Not Applicable/U.S.\$]
52. [Ratings: The Notes to be issued have been rated:  
[Moody’s: [●]]; [and]  
[Fitch:[●]]; [and]  
(each a “**Rating Agency**”).
- If any Rating Agency shall not make a rating of the Notes publicly available, the Issuer [and the Guarantor] shall select and substitute them with [●] or [●] and its successors.]

#### [USE OF PROCEEDS

*Give details if different from the “Use of Proceeds” section in the Offering Circular.]*

**[STABILISING**

In connection with the issue of the Notes, *[name(s) of Stabilising Manager(s)]* (or persons acting on behalf of *[name(s) of Stabilising Manager(s)]*) (the “**Stabilising Manager[s]**”) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager[s] to do this. Such stabilisation, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

**PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.\$40,000,000,000 Medium Term Note Programme of [Bank of China Limited/the Issuer].

**RESPONSIBILITY**

The Issuer [and the Guarantor each] accepts responsibility for the information contained in this Pricing Supplement.

[The Issuer acknowledges that it will be bound by the provisions of the Trust Deed.]

Signed on behalf of  
[Bank of China Limited/  
*[specify branch]*]/*[specify subsidiary]*

[Signed on behalf of  
Bank of China Limited *[specify]* Branch]

By: .....

By: .....

Duly authorised

Duly authorised

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

In relation to any Series of Notes represented by a Global Note, references in the Conditions to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and/or a sub-custodian for the CMU Service, will be that depositary, common depositary or, as the case may be, sub-custodian.

In relation to any Series of Notes represented by one or more Global Note Certificates, references in the Conditions to “Noteholder” are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC will be Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and (b) in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an “**Accountholder**”) must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by each Relevant Obligor to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against any Relevant Obligor in respect of payments due under the Notes and such obligations of each Relevant Obligor will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of Notes represented by such Global Note or Global Registered Note and such obligations of each Relevant Obligor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by each Relevant Obligor in respect of such Global Note or Global Registered Note.

### **Transfers of Interests in Global Notes and Global Note Certificates**

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Relevant Obligor(s), the Trustee, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.



The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected through the Principal Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

Upon the issue of a Restricted Global Note Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in such Global Note Certificate will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised each Relevant Obligor that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of such Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in “*Transfer Restrictions*”).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Relevant Obligor(s), the Trustee, the Registrar, the Dealer or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

### Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Relevant Obligor in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that the payment is noted in a schedule thereto.

*Payment Business Day:* in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

*Exercise of put option:* In order to exercise the option contained in Condition 11(e) (*Redemption for Change of Control*) or Condition 11(f) (*Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 11(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg or the CMU Service (as the case may be) (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg or the CMU Service (as the case may be) as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 22 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, (i) registered in the name of DTC’s nominee or deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (other than the CMU Service, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 22 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; or (ii) deposited with the CMU Service, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Note Certificate and such notices shall be deemed to have been given to the Noteholders in accordance with Condition 22 (*Notices*) on the date of delivery to such persons shown in the CMU Instrument Position Report.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's audited consolidated debt and capitalisation as at 31 December 2018. Please read this table in conjunction with the Group's audited consolidated financial information and the accompanying notes which have been incorporated by reference into the Principal Offering Circular.

|  | <b>As at<br/>31 December<br/>2018</b><br><br>(Audited)<br><br>(RMB million) |
|--|---|
| <b>Debt<sup>(1)</sup></b>  |   |
| Bonds issued . . . . .   | 782,127   |
| Other borrowings . . . . .   | 32,761  |
| <b>Total debt . . . . .</b>  | <b>814,888</b>  |
| <b>Equity</b>  |   |
| <b>Capital and reserves attributable to equity holders of the Bank</b> |   |
| Share capital . . . . .  | 294,388   |
| Other equity instruments . . . . .                                     | 99,714  |
| Capital reserve . . . . .  | 142,135   |
| Treasury shares . . . . .  | (68)  |
| Other comprehensive income . . . . .                                   | 1,417   |
| Statutory reserves . . . . .   | 157,464   |
| General and regulatory reserves . . . . .                              | 231,525   |
| Undistributed profits . . . . .  | 686,405   |
| <b>Non-controlling interests . . . . .</b>                             | <b>112,417</b>  |
| <b>Total equity . . . . .</b>  | <b>1,725,397</b>  |
| <b>Total equity and liabilities . . . . .</b>                          | <b>21,267,275</b>   |

*Note:*

(1) In addition, as at 31 December 2018, the Group had borrowings from central banks, deposits and money market deposits from customers and other banks, certificates of deposits, securities sold under repurchase agreements, credit commitments, acceptances, issued letters of guarantee and letters of credit, financial lease commitments and other commitments and contingencies, including outstanding litigation, that arise from its ordinary course of business.

As at 31 December 2018, the total authorised share capital of the Bank was RMB294,387,791,241 divided into 294,387,791,241 ordinary shares of RMB1.00 par value each, all of which had been issued and were fully paid-up, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

On 29 January 2019, the Bank completed the issuance of write-down undated capital bonds in an aggregate principal amount of RMB40 billion to professional investors (the “**Write-down Undated Capital Bonds**”). The Write-down Undated Capital Bonds carry a coupon rate of 4.50 per cent. during the first five years, which will be reset every 5 years, and the Bank is entitled to redeem the Write-down Undated Capital Bonds on every distribution payment date from the fifth year. The funds raised from the issuance of the Write-down Undated Capital Bonds are to replenish the Bank's additional tier-1 capital in accordance with the applicable laws and approvals from the regulatory authorities.

On 13 March 2019, the Bank completed the issuance of EUR500,000,000 0.50 per cent. notes due 2022. The notes were issued through the Bank's Paris Branch and were listed on Euronext Access, a market operated by Euronext in Paris.

From time to time, the Bank and/or its various offshore branches may issue debt or other regulatory capital securities in various currencies and tenor depending on market conditions.

Except as disclosed in this Offering Circular, there has been no material adverse change in the capitalisation and indebtedness of the Group since 31 December 2018.

## DESCRIPTION OF THE BANK

### Overview

The Group is one of the largest State-owned commercial banks in the PRC, which owns a comprehensive financial service platform. Besides the commercial banking business which includes corporate banking, personal banking and financial market business, the Group also operates an investment banking business through BOC International Holdings Limited (“**BOC International**”) and BOC International (China) Company Limited (“**BOCI China**”), an insurance business through Bank of China Group Insurance Company Limited (“**BOCG Insurance**”), BOC Group Life Assurance Company Limited (“**BOC Life**”) and Bank of China Insurance Company Limited (“**BOC Insurance**”), a fund management business through Bank of China Investment Management Co., Ltd. (“**BOCIM**”), direct investment and investment management business through the Bank of China Group Investment Limited (“**BOCG Investment**”) and debt-for-equity conversion and related business in the Chinese Mainland through BOC Financial Asset Investment Co., Ltd. (“**BOC Asset Investment**”). In 2006, after successfully acquiring Singapore Aircraft Leasing Enterprise, a leading company in such business in Asia, the Group changed the acquired company’s name to BOC Aviation Pte. Ltd. and became the first Chinese bank to enter the global aircraft leasing business. In connection with the global offering and the listing of its shares on the Hong Kong Stock Exchange, on 12 May 2016, BOC Aviation Pte. Ltd. was converted to a public company limited by shares and the name was changed to BOC Aviation Limited (“**BOC Aviation**”), which took effect on 19 May 2016. The combination of these businesses has created a universal banking platform that provides the Bank with the ability to offer a broad range of financial products and services and enables it to establish stronger relationships with strategically targeted customers and strengthen customer loyalty.

Established in 1912, the Bank is one of the best-known commercial banks in the PRC. During its more than 100 years of history, the Bank has built one of the most recognised brand names in the PRC through its contributions to the evolution of the PRC commercial banking industry. The Bank has many significant achievements in the PRC commercial banking sector. For example, in 1929 the Bank was the first PRC commercial bank to establish a foreign branch with the opening of its London branch. In addition, in 1985, the Bank offered the first bank card in the PRC. In 1994 and 1995, the Bank’s Hong Kong subsidiary and Macau branch became bank note issuing banks in Hong Kong and Macau, respectively. Furthermore, in 1998, the Bank arranged the first U.S. dollar-denominated syndicated loan for a PRC bank as the lead manager and agent. In 2002, BOC Hong Kong (Holdings) Limited was listed on the Hong Kong Stock Exchange after a special restructuring of 12 banks in Hong Kong. The Bank was the sponsor of the 2008 Olympic Games held in Beijing and is the Official Commercial Banking Partner of the 2022 Beijing Olympic and Paralympic Winter Games. The Bank was converted into a joint stock company in the PRC in 2004. In 2006, the Bank became listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. The Bank celebrated its 100th year anniversary in 2012.

On 4 November 2011, the Bank was included by the Financial Stability Board, the international organisation for financial supervision and consultation, in the list of the 29 global systemically important financial institutions, among which the Bank was the only bank from China and emerging economy countries and regions. From 2011 to 2018, the Bank was listed and designated each year as a global systemically important financial institution, making it the sole financial institution from emerging economies to be listed and designated as such for seven consecutive years.

As at 31 December 2018, the Group’s NPLs totalled RMB166.941 billion, representing an increase of RMB8.472 billion compared with the prior year-end. The NPL ratio was 1.42 per cent., down by 0.03 percentage points compared with the prior year-end. The balance of the Group’s allowance for loan impairment losses amounted to RMB303.781 billion, an increase of RMB51.527 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 181.97 per cent., up by 22.79 percentage points compared with the prior year-end and the credit cost was 0.95 per cent, an increase of 0.14 percentage points compared with the prior year-end.

For the year ended 31 December 2018, the Group recorded a profit for the period of RMB192.4 billion, an increase of 4.03 per cent. compared with the year ended 31 December 2017. It realised a profit attributable to equity holders of the Bank of RMB180.1 billion, an increase of 4.45 per cent. compared with the year ended 31 December 2017. As at 31 December 2018, the Group’s total loans and advances to customers amounted to RMB11,819.272 billion and the Group’s total liabilities due to customers amounted to RMB14,883.596 billion, an increase of RMB922.714 billion or 8.47 per cent. and an increase

of RMB1,225.672 billion or 8.97 per cent., respectively, compared with the end of 2017. As at 31 December 2018, the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.41 per cent., 12.27 per cent. and 14.97 per cent., respectively, calculated according to the advanced approach under the CBIRC Capital Regulations.

## **The Bank's Strengths**

The Bank's principal strengths include:

### ***Well-Recognised Brand Name***

The Bank is one of the most well-known commercial banks in the PRC. In the Bank's over 100 years history, the Bank has successfully built one of the most recognised brand names in the PRC through its contributions to the evolution of the PRC commercial banking industry.

### ***Largest and Rationally Distributed Overseas Network Complementing an Extensive Domestic Network***

As at 31 December 2018, the Bank had a total of 11,741 institutions worldwide, including 11,193 institutions in the Chinese mainland and 548 institutions in Hong Kong, Macau, Taiwan and other countries and regions. Its domestic commercial banking business comprised 10,726 institutions, including 38 tier-1 and direct branches, 353 tier-2 branches and 10,334 outlets.

The Bank's extensive domestic and overseas network enables it to structure and deliver products and services to serve its customers on a global basis, and allows it to capture the business opportunities arising from the increasing integration of the PRC into the global economy.

### ***Solid Customer Base and Strong Presence in Attractive Customer Segments***

In the PRC, foreign exchange services tend to be utilised by large corporate customers and affluent individuals. Capitalising on the Bank's position as one of the most experienced foreign exchange banks in the PRC and its extensive global network, the Bank has established and continued to maintain strong relationships with leading domestic and international corporations and financial institutions. The Bank also has a strong presence in the retail customer segment.

### ***Universal Banking Platform***

In addition to commercial banking, the Bank provides investment banking, insurance and other services through the Bank's wholly-owned subsidiaries, namely, BOC Asset Investment, BOC International, BOCI China, BOCG Insurance, BOC Insurance, BOCG Investment and BOC Aviation and through the Bank's subsidiaries such as BOC Life and BOCIM.

The Bank fully utilises the advantages in its diversified business platform and its subsidiaries embrace the Group's overall strategy to focus on their specialised business areas, establish business linkage, promote cross-selling and product innovation to enhance the synergy across the Group and provide comprehensive and quality financial services to the customers.

### ***Leader in Non-Interest Income and Treasury Businesses with Strong Product Innovation Capabilities***

The Bank believes its diversified products and innovation capabilities have enabled it to generate a higher level of non-interest income, thus reducing its reliance on its traditional lending business. The Group's operating income comprises net interest income and non-interest income. In recent years, the Bank has further built upon its strengths in the trade finance business and co-ordinated the development of traditional businesses such as international settlement and issuance of letters of guarantee, and emerging businesses, such as cross-border Renminbi business and supply chain financing. The Bank has also experienced a steady growth in revenue from the letter of credit, letters of guarantee, factoring and trade finance-related businesses. In addition, the accelerated development of the domestic settlement business has promoted the income growth of settlement and clearing businesses. The Bank has also further developed its insurance agency and pension businesses, which resulted in a substantial increase in income related to agency commission fees. Leveraging its advantages in cross-border Renminbi business, the Bank's institutions now account for 12 of the world's 25 authorised Renminbi Clearing Banks, covering

countries along the “Belt and Road” including Malaysia and Hungary. The Bank further improved its global Renminbi clearing network with the New York Branch authorised as a Renminbi Clearing Bank in the United States in September 2016. The Bank also serves as a Renminbi market maker in Russia. The Bank’s global markets department offers a broad range of treasury products and services for different customer groups, as well as conducts settlement and related quotation, and 24-hour daily treasury activities through its five trading centres located in Hong Kong, London, New York, Beijing and Shanghai.

The Bank believes its ability to offer innovative financial solutions to its customers, which provides it with a competitive advantage over other PRC commercial banks.

### ***Experienced Senior Management Team***

The Bank’s senior management team has extensive experience in the banking and financial services. In particular, the Bank’s Chairman, Mr Chen Siqing, has more than 20 years of experience in the banking industry. He successively served as Assistant General Manager and Vice General Manager of the Fujian Branch of the Bank, General Manager of the Risk Management Department of the Bank’s Head Office, General Manager of the Guangdong Branch of the Bank, and Executive Vice President of the Bank.

### **Principal Business Activities**

The Group’s principal lines of business consist of commercial banking, investment banking and insurance. The following table sets forth the profit before income tax by the Group’s principal lines of business for the periods indicated:

#### ***Profit before Income Tax by Business Lines***

|  | <b>For the year ended 31 December</b>    |                   |                |                   |                |                   |
|--|--|-------------------|----------------|-------------------|----------------|-------------------|
|  | <b>2018</b>                              |                   | <b>2017</b>    |                   | <b>2016</b>    |                   |
|  | <b>Amount</b>                            | <b>% of total</b> | <b>Amount</b>  | <b>% of total</b> | <b>Amount</b>  | <b>% of total</b> |
|  | <i>(RMB million, except percentages)</i> |                   |                |                   |                |                   |
| Corporate banking business . . . . .       | 63,507                                   | 27.66             | 74,011         | 33.20             | 80,346         | 36.12             |
| Personal banking business . . . . .        | 93,360                                   | 40.65             | 80,985         | 36.34             | 61,023         | 27.44             |
| Treasury operations . . . . .              | 58,658                                   | 25.54             | 52,876         | 23.72             | 41,314         | 18.57             |
| Investment banking and insurance . . . . . | 3,326                                    | 1.45              | 4,768          | 2.14              | 3,951          | 1.78              |
| Others and elimination . . . . .           | 10,792                                   | 4.70              | 10,263         | 4.60              | 35,778         | 16.09             |
| <b>Total . . . . .</b>                     | <b>229,643</b>                           | <b>100.00</b>     | <b>222,903</b> | <b>100.00</b>     | <b>222,412</b> | <b>100.00</b>     |

The Group conducts its business activities in the Chinese mainland as well as 57 countries and regions. The following table sets forth a geographical breakdown of the profit before income tax of the Group for the periods indicated:

#### ***Profit before Income Tax by Geographical Areas***

|                                       | <b>For the year ended 31 December</b> |                |                |
|---------------------------------------|---------------------------------------|----------------|----------------|
|                                       | <b>2018</b>                           | <b>2017</b>    | <b>2016</b>    |
|                                       | <i>(RMB million)</i>                  |                |                |
| Chinese mainland . . . . .            | 162,224                               | 159,067        | 143,008        |
| Hong Kong, Macau and Taiwan . . . . . | 51,004                                | 51,414         | 69,004         |
| Other countries and regions . . . . . | 17,302                                | 15,152         | 12,386         |
| Elimination . . . . .                 | (887)                                 | (2,730)        | (1,986)        |
| <b>Total . . . . .</b>                | <b>229,643</b>                        | <b>222,903</b> | <b>222,412</b> |

## 1 Domestic Commercial Banking

The Bank is dedicated to three missions: serving the real economy, preventing financial risks, and deepening financial reform. It continued to seek progress while maintaining stability in its business and pushed forward the implementation of its development strategy. Each business sector realised moderate growth, and the overall operating profit maintained its steady progress.

For the year ended 31 December 2018, the Bank's domestic commercial banking business recorded an operating income of RMB387.243 billion, an increase of RMB21.773 billion or 5.96 per cent. compared with the year ended 31 December 2017.

### *Corporate Banking*

The Bank made great efforts to expedite the transformation of its corporate banking business. It further consolidated its corporate customer base, continuously optimised its customer and business structure and improved its global service capabilities for its corporate banking customers, thus achieving steady development in its corporate banking business. For the year ended 31 December 2018, the Bank's domestic corporate banking business realised an operating income of RMB183.739 billion, an increase of RMB5.871 billion or 3.30 per cent. compared with the year ended 31 December 2017.

### *Corporate Deposits*

The Bank achieved stable growth in corporate deposits by seizing business opportunities arising from key industries, continuously improving its product functions and strengthening marketing efforts for its settlement and cash management products. The Bank expanded its corporate customer base by improving the hierarchical management of its customers and refining its service system. It managed to attract more administrative institutional customers by improving its products and services for those engaged in industries relating to public finance and social security, education and public health, thus achieving rapid growth in deposits from such institutions. The Bank also actively sought out customers along the upstream and downstream of supply chains and industrial chains in order to achieve higher growth in potential customer deposits. In addition, the Bank enhanced the service functions of its outlets so as to improve their customer service capabilities and increase their contribution to the Bank's deposit.

As at 31 December 2018, RMB corporate deposits in the Bank's domestic operations totalled RMB5,884.433 billion, an increase of RMB388.939 billion or 7.08 per cent. compared with the prior year-end. As at 31 December 2018, foreign currency corporate deposits totalled USD66.123 billion, a decrease of USD0.673 billion or 1.01 per cent. compared with the prior year-end.

### *Corporate Loans*

The Bank continued to strengthen its support for the real economy. It deeply implemented the requirements on supply-side structural reform, actively supported key investment fields and assisted in the transformation and upgrading of the domestic economy. It provided stronger credit support for infrastructure projects and introduced innovative service models for the private economy and private enterprises. The Bank focused on addressing the demands of major projects concerning social welfare and people's livelihood, and allocated more resources to key regions such as the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze Economic Belt, and the Hainan Pilot Free Trade Zone (the "**Hainan FTZ**"). It also strengthened its support for the business development of key sectors, such as advanced manufacturing, Internet Plus, artificial intelligence (AI), rural revitalisation, and the Olympic Winter Games.

As at 31 December 2018, RMB corporate loans of the Bank's domestic operations totalled RMB5,057.654 billion, an increase of RMB295.780 billion or 6.21 per cent. compared with the prior year-end. As at 31 December 2018, foreign currency corporate loans totalled USD40.925 billion, a decrease of USD10.861 billion or 20.97 per cent. compared with the prior year-end.



## *Trade Finance and Services*

The Bank fully leveraged its traditional advantages in trade finance, accelerated business model innovation and effectively managed its business risks, thus boosting the sound development of its trade finance business and continuously consolidating its market dominance. In 2018, the Group's international trade transaction volumes reached USD4.63 trillion. The Bank's domestic institutions retained the largest market share in international trade services and held the leading position among peers in cross-border guarantee business. The Bank actively followed the country's opening up strategy and provided all-round services for the first China International Import Expo ("CIIE").

The Bank pushed forward RMB internationalisation in an orderly manner. It acted as a leader in cross-border RMB-related product and service innovation, and as the main channel for RMB cross-border flows. In 2018, the Group's transaction volume of cross-border RMB payments reached RMB5.95 trillion, among which RMB3.99 trillion was undertaken by the Bank's domestic institutions, thus maintaining the largest market share. The Bank promoted the use of RMB in emerging sectors. It supported the Shanghai International Energy Exchange, the Dalian Commodity Exchange and the Zhengzhou Commodity Exchange to successfully list crude oil futures and internationalise iron ore futures and Pure Terephthalic Acid (PTA) futures, respectively, while providing related financial services for domestic and foreign investors, thus helping RMB to enter the commodity trading and pricing system. The Bank launched RMB promotional events in countries such as Hungary, Pakistan and Cambodia, in a bid to expand the use of RMB in countries along the Belt and Road. The Bank also continued to publish the "BOC Cross-border RMB Index (CRI)", "BOC Offshore RMB Index (ORI)" and the White Paper on RMB Internationalisation, providing comprehensive and professional support to help global customers understand and use RMB.

The Bank made steady progress in expanding its Free Trade Zone ("FTZ") business. It exerted its best efforts to support the construction of Hainan FTZ, closely tracked the policy opportunities brought about by the deepening of FTZ reform and provided a full range of quality financial services for key projects and customers in FTZs, thus continuing to provide the industry-leading FTZ business. It was involved in the whole-process modelling of the financial services "Single Window", and developed such functions as tax payment, reservation for account opening and online letter of guarantee application. The Bank was the first domestic bank to introduce a centralised tax payment e-guarantee and realised the digitalised transmission of guarantee data with customs. With the solid foothold of its four commodity business centres in Shanghai, Singapore, London and New York, the Bank expanded the reach of its transactional and structured commodity financing businesses. The Bank pushed forward the digital transformation of its supply chain finance, thus its online financing business volume continued to grow. The Bank participated in the development and implementation of the "Blockchain Forfaiting Trading Platform" and the "Digital Bills Trading Platform", which effectively enhanced trading safety and efficiency. It researched and developed downstream supply chain financing solutions and made breakthroughs in such scenarios as financing for dealers on e-commerce platforms. The Bank successfully launched a project to connect with the Shanghai Commercial Paper Exchange Corporation Ltd., laying a systemic foundation for trading in commercial paper. In addition, it improved account opening efficiency and customer experience by streamlining the processes of making reservations for account opening and opening accounts with mobile applications.

The Bank was named "Best Transaction Bank" and "Best Trade Finance Bank" by FinanceAsia, and received the "Best Bank in Cross-border RMB Business" award from the China Banking Association for its expertise in the trade finance sector.

## *Cash Management*

Drawing on the strength of its integrated global operations, the Bank continuously improved its global cash management service capability, won a number of bids for the cash management service contracts of multinational corporations and quickly expanded the group customer base for cash management. It sped up the promotion of cash management products and provided customers with integrated services such as centralised fund management and information classification and accounting. The Bank catered to "Going Global" enterprises' needs for global information sharing and fund operation, and supported administrative institutions in their financial management reform. It completed China's first SWIFT Direct Connection cross-border remittance business, "SWIFT-Global Payments Innovation (GPI)", and promoted Bank Host-to-Host Direct Connection abroad for the first time. To fulfil customers' needs for multi-channel, multi-segment and one-stop capital management services, the Bank carried out on-going improvements to

its “Global Cash Management Platform+” integrated product system, which enabled greater connectivity of the Global Cash Management Platform, SWIFT Direct Connection, Bank Host-to-Host Direct Connection, Multi-Bank Cash Management System and trading data applications. The Bank was recognised as “Best Regional Cash Manager in Asia” by Euromoney for the third consecutive year and “Best Cross-border Cash Management Bank” by Asiamoney for the second straight year. As a result, “BOC Global Cash Management” has become an increasingly influential brand.

#### *Financial Institutions Business*

The Bank continued to deepen comprehensive cooperation with various global financial institutions, including domestic banks, overseas correspondent banks, non-bank financial institutions, overseas central banks, sovereign wealth funds and international financial organisations. It built its integrated financial services platform and maintained a leading position in terms of financial institution customer coverage. The Bank has established correspondent relationships with around 1,600 institutions in 178 countries and regions, thus providing multinational institutions and enterprises with financial services such as international settlement, bond financing, foreign exchange trading, investment custody and global cash management. Closely following the implementation of the Belt and Road Initiative, the Bank consolidated cooperation with key correspondent banks in countries and regions along the Belt and Road. The Bank continued to deepen its wide-reaching cooperation with organisations and development institutions such as Asian Infrastructure Investment Bank, New Development Bank and the Silk Road Fund, participated in the investment and financing projects of domestic policy financial institutions and provided extensive financial services. By making increased efforts to expand its cross-border RMB business, the Bank became the major RMB clearing channel and the main cooperating bank for overseas central banks and other sovereign institutions, commercial banks and exchange houses. To date, the Bank has opened 1,462 cross-border RMB clearing accounts for correspondent banks from 117 countries and regions, thus holding a leading position among domestic banks. It also promoted the RMB Cross-Border Interbank Payment System (“CIPS”) and signed cooperation agreements for indirect participants with 251 domestic and overseas financial institutions, seizing the largest market share among its peers. The Bank’s custodian service for Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors and its agency service for overseas central banks and other sovereign institutions ranked among the top in the industry terms of both customer base and business scale. The Bank signed a memorandum of strategic cooperation with the Astana International Financial Centre of Kazakhstan. It was one of the first banks designated by the Shanghai International Energy Exchange Co., Ltd. to act as a margin depository bank for crude oil futures, and by the Dalian Commodity Exchange and Zhengzhou Commodity Exchange to act as a margin depository bank for foreign currencies. It was also the only bank to participate in the pilot stage of the H shares “full circulation” programme. As at 31 December 2018, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions, and had further increased its market share in terms of the number of third-party custody customers with outstanding balances.

#### *Inclusive Finance*

The Bank proactively explored solutions to the difficulties and high costs of financing for micro and small-sized enterprises. It endeavoured to increase inclusive finance loans with a focus on the relatively weak groups among micro and small-sized enterprises, thus further strengthening its financial support for the key areas of inclusive finance. The Bank implemented special resource allocation and provided comprehensive policy support for inclusive finance. It refined its inclusive finance structure, established a sound service system, promoted the launch of a bank-wide organisational structure for inclusive finance and built the “five specialised operating mechanisms”. The Bank designated all of its outlets as the basic service outlets for inclusive finance, and selected 162 outlets in the demonstration areas of the “Made in China 2025” programme as the key outlets from which to launch its inclusive finance credit business.

As at 31 December 2018, the Bank’s outstanding inclusive finance loans granted to micro and small-sized enterprises<sup>1</sup> reached RMB304.2 billion, representing a year-on-year growth of over 12.26%, more rapid than that of the Bank’s total loans. The number of micro and small-sized customers stood at 380,000, an increase compared with the prior year. The average interest rate of micro and small-sized enterprises’

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<sup>1</sup> Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular on Promoting the High-quality Development of Banks’ Financial Services for Micro and Small-sized Enterprises in 2018* (Y.J.B.F. [2018] No. 29).

inclusive finance loans granted during the year ended 31 December 2018 was 5.27%. Meanwhile, the Bank enhanced risk control and compliance management, improved its early warning mechanism on asset quality control, strengthened the whole-process management of loans to micro and small-sized enterprises, and continuously enhanced its capabilities in identifying and mitigating credit risk, thus maintaining the quality of loans to micro and small-sized enterprises at a stable and controllable level.

The Bank continued to provide SME cross-border matchmaking services to promote connectivity across the globe. As the sole integrated banking service provider for the First CIIE, the Bank successfully hosted the Expo's Exhibitor-Businessman Supply-Demand Matchmaking Conference. In 2018, the Bank held nine cross-border trade and investment conferences in Kuala Lumpur, Malaysia; Santa Fe, New Mexico, US; Zhengzhou, Henan Province; Jieyang, Guangdong Province; Dalian, Liaoning Province; Qingdao, Shandong Province; Guangzhou, Guangdong Province and Shanghai. It has held 50 cross-border matchmaking events since 2014, attracting the participation of 30,000 enterprises from 87 countries and regions internationally. It played an active role in promoting the upgrading of the domestic industrial structure, furthering international economic and trade cooperation, and implementing the Belt and Road Initiative. Moreover, the Bank steadily promoted the "investment and loan linkage mechanism" pilot programme, furthered cooperation with governments at all levels and commercial institutions in pilot areas, and developed a comprehensive financial service system for technologically innovative enterprises.

#### *Pension Business*

Centred on the development of China's social security system, the Bank continuously extended its pension business coverage, promoted product innovation and developed a comprehensive service system with optimised functions. It provided a range of pension-related financial services including enterprise annuities, occupational annuities, employee benefit plans, employee stock ownership plans and pension security management products, thus enhancing customer satisfaction. Having already been designated to act as a custodian and account manager for enterprise annuities, the Bank became qualified to also act as a trustee of enterprise annuity funds and successfully signed its first trustee contract for enterprise annuities. As a result, the Bank's annuity service scope further expanded.

As at 31 December 2018, the total number of individual pension accounts held by the Bank reached 5.0119 million, an increase of 0.4959 million or 10.98 per cent. compared with the prior year-end. Assets under custody amounted to RMB221.158 billion, an increase of RMB28.918 billion or 15.04 per cent. compared with the prior year-end, with the Bank serving more than 15,000 clients.

#### *Personal Banking*

The Bank always puts customers at the centre of its business. In 2018, the Bank innovated and improved its personal banking product and service system and endeavoured to enhance the capability of its online, scenario-based and smart services. It grasped development opportunities in cross-border business, consumer finance and wealth management so as to continuously enhance the market competitiveness of its personal banking business.

For the year ended 31 December 2018, the Bank's domestic personal banking business realised an operating income of RMB153.589 billion, an increase of RMB12.293 billion or 8.70 per cent. compared with the year ended 31 December 2017.

#### *Personal Deposits*

In response to the trend of interest rate liberalisation, the Bank intensified innovation in its personal deposit products, providing customers with products of different terms and types, thus of satisfying differentiated customers' needs. It further expanded its payment agency business by classifying its customer groups and improving the connectivity between corporate and personal businesses. It also provided payment agency customers with a package of integrated service solutions, including account opening, salary payment, consumption and investment. The Bank launched an online margin business embedded with multiple transaction scenarios. It also adopted the "BOC Wealth Accumulator" service model for micro and small-sized businesses, providing them with convenient services based on integrated payment, and thereby built a closed loop for fund flows. It further developed its foreign exchange services by increasing the number of foreign currencies offered by its personal deposit and withdrawal businesses to 25 and the number of convertible foreign currencies available to customers to 39, thus maintaining its leading position among its peers. Leveraging on its advantage in foreign currency business, the Bank provided services for a number of large events, including the first CIIE. It also launched cash exchange reservation service on all electronic channels including mobile banking and online banking to further improve customer experience.

As at 31 December 2018, the Bank's domestic RMB personal deposits totalled RMB5,026.322 billion, an increase of RMB475.154 billion or 10.44 per cent. compared with the prior year-end. Personal foreign currency deposits amounted to USD44.040 billion, allowing the Bank to maintain a leading market share.

#### *Personal Loans*

The Bank implemented the national policies of supporting the real economy, expanding domestic demands and promoting consumption by steadily enhancing its personal loan business. It actively put into practice the state's regulatory policies on real estate and continued to implement a differentiated residential mortgage loan policy, with a particular focus on serving the needs of households seeking to buy owner-occupied homes for the first time, and thus maintained the sound development of its residential mortgage loan business. The Bank accelerated its consumer finance business through depending the application of internet and big data technologies, as well as improving its risk management and control models. It continued to promote its featured "BOC E-Credit" product, a whole-process online consumer loan service, realising a rapid growth rate. The Bank proactively developed inclusive finance services and refined its development strategies for personal business loans by providing specialised service models for customer segments, including private enterprises, micro and small-sized business owners, and customers targeted according to shopping districts or industry chains, those commonly engaged in agriculture-related businesses, start-up businesses or poverty alleviation efforts. It continued to grant government-sponsored student loans and enhanced its development-oriented student services, securing its leading market position in government-sponsored student loans. As at 31 December 2018, the total amount of RMB personal loans of the Bank's domestic operations stood at RMB3,933.840 billion, an increase of RMB452.158 billion or 12.99 per cent. compared with the prior year-end.

#### *Wealth Management and Private Banking*

The Bank enhanced its wealth management and private banking services by meeting customer demands and accelerating business innovation and transformation. To implement the strategy of enabling advancement through technology, the Bank developed the Investment Product Distribution Platform to integrate its investment product distribution architecture and effectively improve its integrated and intelligent distribution capabilities. It launched "BOC Robot Advisor", an intelligent investment advisory service, introduced an online assets diagnosis function and improved its asset allocation tools. Using big data, the Bank carried out targeted marketing campaigns with the help of growing customer information tags and further completed client marketing loops. In order to develop a professional asset allocation decision-making system, it constructed a market-wide product selection platform, established an Asset Allocation Committee and published asset allocation strategy reports. The Bank also transformed its marketing approach, continued to carry out customer group marketing campaigns by providing customised service packages for customer groups including staff of Chinese embassies and consulates stationed abroad, and promoted product and service integration. It further developed its differentiated customer service system by adjusting customer grading, constructing a unified customer benefits platform and increasing its customer loyalty rewards redemptions choices. As a result, customer loyalty was continuously enhanced. Moreover, the Bank continued to improve the management and incentive mechanisms for its relationship managers, thus achieving significant progress in cultivating teams of wealth management managers, private bankers and investment advisors, which in turn steadily improved its professional services. It made full use of the BOC Wealth and Investment Academy to build a multifaceted talent development system, and used both internal and external resources to expand its talent pool. The Bank further improved its cross-border customer marketing mechanism and achieved positive results in providing integrated cross-border services to personal customers in the Guangdong-Hong Kong-Macao Greater Bay Area. It promoted the development of its private banking business, improved the structure of its domestic private banking centres and refined the network of its domestic and overseas private banks, so as to create a global private banking service platform. The Bank strengthened innovation in products and services by introducing discretionary asset management with investment only in debt instruments and offshore family trust products to better serve the needs of its high-net-worth customers. As at 31 December 2018, the Bank had set up 7,993 wealth management centres, 1,082 prestigious wealth management centres and 44 private banking centres in the Chinese mainland. The Group managed RMB1.4 trillion of financial assets on behalf of its private banking customers.

In 2018, the Bank was recognised as "Best Private Bank for Global Investment Exposure in China" and "Best Private Bank for International Network in China" by Asiamoney; awarded "Best Private Banking China Domestic" by Asian Private Banker; rated as "Best Domestic Private Bank – Most Innovative Performer" and "Best Domestic Private Bank – Asset Management" by Wealth; and won Ying Hua Awards

for “Best Distributor for Mutual Fund” and “Excellence In Distributor for Private Equity” from China Fund. The “BOC Robot Advisor” intelligent investment advisory service won the “2018 Rising Star Award for Robot Advisor” from Securities Times.

### *Bank Card*

Closely following changes in markets and customer demand patterns, the Bank continuously refined its product and service system and endeavoured to create a preferred credit card brand targeting the medium-to-high end, cross-border, female and young customer segments. It took the lead in launching the BOC Greater Bay Area Credit Card to facilitate the interconnectivity of the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank rolled out the Great Wall Ice and Snow Credit Card to promote winter sports and the nationwide fitness campaign. It also issued the BOC Better Life Credit Card to meet customers’ need for quality family life. To satisfy the personalised demands of different customer groups, the Bank rolled out new products such as the BOC Lady Credit Card, BOC Zan Credit Card, BOC American Express Cross-border Alliance Credit Card, Great Wall Monet World Credit Card, UEFA Champions League-themed Credit Card, and World Cup-themed Credit Card. Following trends in online finance, it launched innovative BOC digital credit cards and promoted a “connected scenarios and FinTech” service mode in order to build internet-based customer acquisition scenarios. The Bank accelerated the innovation and upgrading of its instalments product system by promoting such products as “YiFenXiang” instalments (an automatic instalments plan), “Youke” instalments (a premium customer instalments plan) and an automobile-add-ons financial service, as well as a flexible repayment function. Moreover, the Bank continued with its pilot projects for applying instalment services to second-hand automobiles, auto financial lease, weddings, and maternity. In recognition of its achievements, the Bank won the title of “2018 Best Auto Credit Card Instalments Service Bank” at the China Auto Golden Engine Awards. The Bank integrated its payment service mode and built the “BOC Smart Payment” brand. It promoted the “aggregate payment” offline acquiring product and provided an online check-out product featuring “one-point access, overall acceptance”. It improved the “BOC Smart Merchant” service platform by providing full-process, one-stop comprehensive financial services for merchants. To improve the merchant value-added service system, the Bank launched a platform with discounted merchants and electronic vouchers, carried out merchant online to offline (“O2O”) precision marketing campaigns, and built a closed-loop consumption ecology. It continued to develop 360-degree customer life cycle maintenance, strengthened customer group analysis based on big data, and supported precision marketing and dynamic limit management.

In line with the PBOC’s requirements on account reform and the mobile finance convenience project, the Bank pushed forward the online and offline issuance and use of debit cards, and expanded the application scope for Type II and Type III personal bank accounts. It continued to improve its customer experience by streamlining its business procedures for account opening and cancellation, loss reporting and replacement of debit cards. The Bank expanded the scenarios-based applications of mobile payment and promoted online financial services for segments, such as campuses, cross-border businesses, social security, medical treatments, and railway transportation. It strengthened its “BOC E-Campus” mobile application and formed a dual platform business model with Tencent WeiXiao to serve its customers on campuses. The Bank won the bid to issue credit cards for the government-sponsored studying abroad programme, and expanded the value-added services of the Great Wall Cross-border International Debt Card, thus providing its cardholders with more convenient and more secure cross-border services. It issued social security cards with financial functions in nearly 30 provinces (including municipalities directly under the Central Government) in cooperation with local Human Resources and Social Security Bureaux, and issued electronic social security cards as per the standards required by the Ministry of Human Resources and Social Security. These products delivered diverse financial services, including collection and payment agency of social insurance (namely, pension insurance funds, medical insurance funds, unemployment insurance funds, work-related injury insurance funds and maternity insurance funds), exclusive wealth management products and fee discounts for customers, as well as non-financial value-added services such as doctor appointment booking, discount coupons and doctor lectures. It also issued a resident health card with financial functions in provinces such as Guangdong, Liaoning, Hebei, Guizhou, Sichuan and Jiangxi, offering cardholders medical treatment payment and health management services, both online and offline, across the country. In addition, the Bank launched the Changsha-Zhuzhou-Xiangtan Inter-city Railway e-Card in Hunan, with which customers can enter and exit stations and take trains simply by scanning a QR code using a mobile application.

The tables below set out the issuance amount and transaction volumes of the bank cards of the Bank as at and for the year ended 31 December 2018:

|  | <b>As at<br/>31 December<br/>2018</b>                  |
|--|--|
|  | <i>(million cards)</i>                                 |
| Cumulative number of debit cards issued . . . . .                                    | 525.7446   |
| Cumulative number of credit cards . . . . .  | 110.6573   |
| Cumulative number of social security cards with financial functions issued . . . . . | 101.8742   |
|  | <b>For the<br/>year ended<br/>31 December<br/>2018</b> |
|  | <i>(RMB million)</i>                                   |
| Transaction amount of debit cards . . . . .  | 5,941.075  |
| Transaction amount of credit cards . . . . .   | 1,619.555  |
| Instalments volume of credit cards . . . . .   | 279.132  |

## **2 Financial Markets Business**

To further enhance its influence in financial markets, the Bank closely tracked market developments and actively aligned itself with trends towards interest rate and exchange rate liberalisation and RMB internationalisation. It leveraged its professional advantages, continued to deepen adjustments to its business structure, enhanced its efforts in financial market innovation and made steady progress in compliance with international regulatory requirements.

### ***Securities Investment***

The Bank strengthened its research and judgment regarding market interest rates while proactively seizing market opportunities. The Bank also rationally adjusted the duration of its investment portfolio and further optimised its investment structure. Consistent with national macroeconomic policies, the Bank supported the economic development of local governments and actively participated in local government bond investment. Following trends in global bond markets, the Bank optimised its foreign currency investment portfolio and managed to prevent interest rate risk and credit risk.

### **Trading**

The Bank accelerated the construction of an integrated global financial markets business system founded on the three core product lines of interest rates, exchange rates and commodities. It endeavoured to build a new customer-centric, market-oriented and product-based service model and improved quantitative trading capabilities so as to serve the real economy. The Bank continued to outperform its peers in market share of foreign currency exchange against RMB business. It offered cash trading rates for six further foreign currencies, including the Czech Koruna and Hungarian Forint, thus bringing the number of currency pairs available for exchange up to 39. The Bank also consolidated its leading edge in emerging market trading products under the “Belt and Road” Initiative. It increased the total number of tradable foreign currencies to 63, among which 52 are currencies of emerging economies and 29 are currencies of countries along the “Belt and Road”. It stepped up efforts in product innovation so as to further sharpen its market competitiveness. Together with the China Foreign Exchange Trading System & National Interbank Funding Centre, it introduced the “CFETS-BOC Traded Bond Index” and released it on the China Foreign Exchange Trade System and Singapore Exchange successively, thus vigorously pushing forward the opening up of China’s bond market and RMB internationalisation.

Drawing strength from its integrated global trading, sales, risk management and system, the Bank further enhanced its integrated global service capacity by strengthening business support from the Head Office and its overseas trading centres to its regional branches. Leveraging its advantages in professional quotation and its priority focus on compliance, the Bank steadily met interbank customers' demands. In line with the financial demands of the real economy, the Bank consolidated its chain services in order to comprehensively satisfy customers' needs for hedging against risks relating to exchange rates, interest rates and commodity prices. It put equal emphasis on agent trading and market-making quotation services, and established an integrated marketing mechanism to allow foreign institutional investors to invest in the domestic interbank market, thereby enhancing the Bank's ability to provide quotation and services for foreign institutional investors. In addition, the Bank actively participated in the building of a foreign exchange self-regulatory mechanism, adopted the Foreign Exchange Code across the board, and successfully passed the annual assessment of its implementation of the foreign exchange self-regulatory mechanism.

### ***Investment Bank and Asset Management***

The Bank leveraged the competitive advantages of its international and diversified operations and focused on serving the real economy. It provided customers with comprehensive, professional and customised investment banking and asset management solutions, including professional financial products and services for bond underwriting and distribution, asset management, asset securitisation, mergers and acquisitions (“M&A”) and restructuring advisory. To facilitate the construction of China's multi-layered capital markets system and to support customers' direct financing needs, the Bank underwrote debt financing instruments for non-financial institutions in the China interbank bond market of a total amount of RMB379.179 billion. The Bank's underwriting business for financial institutions was greatly boosted, with its financial bond underwriting volume and market share continuing to improve. It maintained the leading market share among all commercial banks in the interbank market in terms of asset securitisation underwriting. The Bank enhanced its cross-border competitiveness. It assisted offshore issuers such as the Republic of the Philippines and the government of the Emirate of Sharjah and Hungary in issuing Panda Bonds. The Bank held the leading market share in Panda Bond business. The Bank also supported the China Ministry of Finance's issuance of USD3.0 billion of sovereign bonds by acting as a joint lead manager and joint book runner, thus further completing the yield curve of foreign currency-denominated sovereign bonds and facilitating the establishment of the pricing benchmark for China's foreign currency-denominated bonds. The Bank captured the leading market share as an underwriter of Chinese enterprises' offshore G3 currency (i.e. USD, EUR and JPY) bonds. The Bank also made efforts to develop green finance by participating as lead underwriter in a number of important green bond programmes, including the issuance of the first green building Panda Bond and the first quasi-sovereign Euro floating rate green bond. Proactively exploring financial solutions for poverty alleviation, the Bank acted as the lead underwriter for the first central state-owned enterprise special poverty alleviation notes, issued by China Three Gorges Corporation, with part of the proceeds being used for hydropower projects. Moreover, strongly supporting private enterprise financing, the Bank carried out the first batch of Bond-Financing Support Tools for Private Enterprises among Large State-owned Commercial Banks and providing boost for the private enterprises direct-financing.

As a result, the Bank was awarded “China Bond House” by IFR Asia, “China's Best Corporate and Investment Bank” and “China's Best CIB for Debt Capital Markets – Cross-Border” by Asiamoney, “Best China Onshore DCM Bank”, “Best Panda Bond Underwriter” and “Best China International G3 Currency DCM Underwriter” by Caixin, and “Best Financial Institution Bond”, “Best Panda Bond” and “Best Green Bond” by FinanceAsia. As such, the brand influence of the Bank's Debt Capital Markets was continuously enhanced.

The Bank steadily promoted the development and transformation of its asset management business. It increased its launch frequency and marketing efforts for Net Value products, offering various Net Value products such as “BOC Accumulated Asset Series – Le Xiang Everyday”, “BOC Strategy – Steady Wealth Creation” and “BOC Wise Wealth Creation”. The Bank explored new investment and operational methods to better suit the transformation and development of its Net Value products, strengthened its investment and trading capabilities, optimised asset allocation and effectively improved its investment yields. It developed innovative asset management informational system structures and improved system functions, so as to provide enhanced IT support for business development. In 2018, the Bank issued 8,071 wealth management and structured deposit products with a total year-end value of RMB1,718.1 billion.

The Bank enhanced its financial advisory service system by further enriching its service content. Leveraging the advantages arising from coordination between the Head Office and branches and the integration of its domestic and overseas operations, the Bank provided customers with professional advisory services such as strategy advice, target recommendation, transaction structuring, valuation analysis and financing scheme design, as well as services covering the whole transaction process. The Bank steadily promoted its credit asset-backed securitisation business and optimised the structures of its existing assets. In 2018, the Bank issued four residential mortgage-backed securities with a total amount of RMB37.949 billion and non-performing credit asset-backed securities with a total amount of RMB163.88 million.

### ***Custody Business***

The Bank strived to enhance the overall competitiveness of its custody business by expanding mutual fund custody, strengthening pension fund custody, refining cross-border custody and optimising banking wealth management custody. Seizing opportunities arising from the two-way opening up of China's capital markets, the Bank became the first Chinese commercial bank to obtain the pilot depository qualifications for Chinese Depository Receipt ("**CDR**"). It pushed forward advancement through technology and system building, and led the market in launching a depository system alongside the CDR and Shanghai-London Stock Connect programmes. In addition, it improved the accounting, valuation and investment supervision functions of its global custody system and rolled out a non-securities custody business system and a new version of its online custody service, thus further enhancing its global custody service capabilities. The Bank won bids for occupational pension custody schemes in Xinjiang and Shandong, as well as for the issuance of the first local government debt exchange traded fund ("**ETF**") in the Chinese mainland. It was granted "Best QDII Mandate" and "Best QDII Custodian" by The Asset, securing its position as customers' preferred bank for cross-border investment.

As at 31 December 2018, the Group's assets under custody stood at approximately RMB10 trillion, and the scale of its cross-border custody business ranked top among Chinese banks.

### ***Village Bank***

BOC Fullerton Community Bank actively implemented the national strategy of rural revitalisation with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". It is committed to providing modern financial services to county micro and small-sized enterprises, individual merchants, the wage-earning class and farmers, thus promoting the construction of a beautiful countryside with a pleasant living environment.

BOC Fullerton Community Bank expedited the construction of its institutional distribution network, thus supporting financial development in county areas. Having already acquired shares in village banks held by China Development Bank, it successfully acquired shares in 27 village banks held by China Construction Bank, further expanding its business scale and providing stronger support for the development of China's central and western regions and county economies. As at 31 December 2018, BOC Fullerton Community Bank controlled 125 village banks and had 142 sub-branches in 22 provinces (including municipalities directly under the Central Government) through self-establishment and acquisition. BOC Fullerton Community Bank has become the largest domestic village bank group in terms of total institutions and business scope. It also continuously improved its product and service system to further expand its customer base and business scale.

As at 31 December 2018, the registered capital of BOC Fullerton Community Bank amounted to RMB7.524 billion with its total assets and net assets standing at RMB60.332 billion and RMB10.040 billion respectively. As at 31 December 2018, the balances of total deposits and loans of these banks were RMB38.939 billion and RMB39.257 billion respectively, an increase of 38.37 per cent. and 43.16 per cent. compared to the prior year-end. The NPL ratio was 2.42 per cent. and the ratio of allowance for loan impairment losses to NPLs stood at 237.80 per cent. For the year ended 31 December 2018, BOC Fullerton Community Bank achieved a profit for the year of RMB0.674 billion.



### 3 Overseas Commercial Banking

In 2018, the Bank continued to promote the establishment of overseas institutions and pushed forward the integrated development of its domestic and overseas operations, thus further enhancing its global service and support capabilities and sharpening its market competitiveness. As at 31 December 2018, the Bank's overseas commercial banking customer deposits and loans totalled USD433.444 billion and USD365.282 billion, respectively. For the year ended 31 December 2018, the Bank's overseas commercial banking business achieved a profit before income tax of USD8.926 billion, accounting for 25.78 per cent. of the Group's total profit before income tax.

Regarding branch distribution, the Bank closely tracked customers' financial services needs around the globe, accelerated improvements in institutional network in countries along the "Belt and Road" and further increased outlets in countries with an existing BOC presence, thus further improving its global service. As at 31 December 2018, the overseas institutions of the Bank totalled 548, covering 56 countries and regions around the globe, with three new countries added in 2018.

For corporate banking business, by giving full play to the advantages arising from its integrated commercial and investment banking operations, the Bank provided a full spectrum of premium, efficient, tailor-made and comprehensive financial services for "Going Global" and "Bringing In" customers, "Fortune Global 500" enterprises and local corporate customers. It further improved its globalised customer service system and continually enhanced its middle and high-end products and services. Through core products including syndicated loans, project financing, cross-border M&A, export credit, global cash management and letters of guarantee, the Bank provided great support to key projects related to infrastructure construction, energy resource development and overseas industrial parks, with the aim of providing sound financial services for the Belt and Road Initiative, promoting international cooperation in production capacity and helping enterprises achieve sustainability in their foreign investments and operations.

For personal banking business, the Bank provided one-stop financial services for personal "Going Global" customers by leveraging its extensive overseas institutional network. It continued to expand its overseas account opening witness service, which now covers 18 countries and regions in North America, Europe, Asia and Oceania. The Bank enhanced its services for customers studying abroad by launching such brands as "Brilliant Tomorrow" in the US, "Golden Age" and "UK Manager" in the UK, "Home in Canada" in Canada, "Golden Years" in Australia, "Sail in Lion City" in Singapore and "Splendid Life" in Macao. It built up its cross-border marketing ecosystem, consolidated marketing resources across platforms, improved the availability of cross-border credit card services and established a star rating system for cross-border credit card customers, so as to provide customers with preferential, convenient and quality cross-border credit card services, thus enhancing the brand influence of its cross-border business. It expanded its overseas credit card issuance and acquiring business, developed new products such as BOC Qoo10 Credit Card and BOC Miles Credit Card in Singapore, and Greater Bay Area Credit Card in Macao, and supported its overseas branches in developing integrated online and offline merchant acquiring business, thus further enhancing its influence in local payment markets. It optimised the framework of its overseas debit cards and issued UnionPay, Visa and MasterCard debit cards in 19 countries and regions. In addition to withdrawal, consumption and other basic functions, it introduced new features including contactless payment, non-card payment and 3D secure payment, which can be used via multiple channels including domestic and overseas counters, online banking and mobile banking, thereby better satisfying the world-wide consumption demands of overseas customers.

For financial markets business, the Bank fully leveraged its advantages in integrated global operations and actively engaged in RMB futures market-making on the exchanges in Singapore, South Korea and Dubai, in line with the national opening up strategy. As a result, it enhanced its capacity for customer base expansion in Asia, Europe and Oceania, further optimised its product line structure for exchange rates, interest rates and commodities, and continuously improved its business scale and profitability. The Bank seized opportunities arising from the two-way opening up of capital markets and exerted every effort to market custody services to "Going Global" and "Bringing In" customers. It sped up efforts to shape its global customer service network and enhanced its global custody service capability, as well as the local and cross-border customer custody service capabilities of its key overseas institutions. It actively innovated its capital market connectivity service mechanisms and accomplished the integration of its cross-border custody service processes. On 2 November 2018, the Bank successfully obtained a custody license from the UK's Prudential Regulation Authority, making it the first Chinese bank qualified to

conduct custody business in the UK. As at 31 December 2018, the Bank had the largest market share among domestic peers in cross-border custody, reaching 28.44%. The Bank also made active efforts to build bridges to international capital markets. It successfully issued the Belt and Road-themed bonds with a total volume equivalent to USD3.2 billion, the first Guangdong-Hong Kong-Macao Greater Bay Area-themed bonds worth USD1.8 billion equivalent, green bonds worth USD1.4 billion equivalent, and the first Sustainability Bond issued by a Chinese bank in the overseas markets with an amount of USD400 million equivalent.

For clearing services, the Bank continuously improved its cross-border RMB clearing capabilities and consolidated its position at the leading edge of international payments. In 2018, the Bank was authorised to serve as the RMB clearing bank in Japan, which means that the Bank now accounts for 12 of the world's 25 authorised RMB clearing banks and continues to lead its peers. It also ranked first in terms of the number of CIPS indirect participants. In 2018, the Bank's cross-border RMB clearing transactions totalled RMB389 trillion, an increase of 11% compared to the previous year, securing first place in the global market. The Bank launched the Bank of China Group Remittance product in order to offer an exclusive and efficient remittance channel for the Group's customers, thus enhancing customer experience in the field of cross-border remittance and maintaining its position as the market leader.

For e-banking, the Bank further expanded the coverage of its overseas channel services. It released the upgraded international version of its mobile banking service, increasing the availability of overseas mobile banking services to 18 countries and regions, and overseas online banking services to 46 countries and regions. It added mobile banking services in the Lao language and now enables its overseas e-channels to provide services in 13 languages. Its cross-border corporate online banking services expanded to include overseas services such as precious metal clearing service, global financial resources transferring service and corporate online banking GPI transferring service. In addition, the Bank constructed overseas bank-enterprise connection channels to serve key global customers. As a result, the Bank continued to lead its peers in cross-border business.

#### **Bank of China (Hong Kong) Limited**

In 2018, BOCHK remained committed to its strategy of building a top-class, full-service and internationalised regional bank, and adhered to its philosophy of stable, long-term and sustainable development. It fully leveraged its competitive advantages and steadily pushed forward its business priorities. Its core businesses realised satisfactory growth, with major financial indicators remaining at solid levels. It improved its integrated regional business model and promoted the integration of its Southeast Asian entities, achieving steady growth in its Southeast Asian business. BOCHK remained committed to expanding cross-border business development and drove forward the development of the Guangdong-Hong Kong-Macao Greater Bay Area with the aim of becoming the area's first-choice bank. In pursuit of full-service development, BOCHK accelerated the construction of its diversified business platforms. Moreover, it sped up FinTech innovations and product research so as to drive its digital development. At the end of the year, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD2,952.903 billion and net assets reached HKD284.907 billion. Its profit for the year was HKD32.584 billion.

BOCHK continued to develop its core market in Hong Kong and outperformed its peers in key business areas. The growth of its total customer deposits and loans was above the market average. Its asset and liability structure was further optimised, with asset quality outperforming the local market. Moreover, it diversified its corporate finance business and successfully arranged a number of significant syndicated loans, project finance deals and debt issuances. As a result, BOCHK remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 14th consecutive year. It also maintained its leading market position as the main receiving bank for initial public offerings ("IPOs") in Hong Kong for the eighth consecutive year. BOCHK deepened business relationships with commercial customers in Hong Kong and helped them to establish a convenient and effective financial service platform so as to mutually enhance market competitiveness and penetration. It further reinforced its business relationships with governmental and institutional customers and expedited the regional development of its cash pooling and treasury centre businesses. Adhering to its customer-centric philosophy, it enhanced the scenario-based and comprehensive application of its products and services to improve the competitiveness of its financial services. It catered to the different needs of individual clients and provided exclusive and premium services for its mid-to high-end clients, which led to continuous growth in the total number of mid-to high-end customers. In addition, BOCHK actively promoted the development of inclusive finance by accelerating the upgrading of its products and services to individual customers, thus establishing an all-round service capability to meet the basic necessities of customers' daily lives. It maintained its leadership in UnionPay card issuing and cardholder spending business in Hong Kong.

BOCHK integrated its Southeast Asian institutions entities and saw effective regional synergies begin to emerge. BOCHK successfully completed the acquisition of the Vietnam Business and the Philippines Business of the Bank in January 2018 and also entered into an agreement with the Bank in relation to the transfer of BOC Vientiane Branch on 4 December 2018 and subsequently completed the transfer on 21 January 2019. BOCHK's Southeast Asian entities now operate in Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia, Brunei and Laos. It accelerated the logical integration of its Southeast Asian entities and comprehensively enhanced their capability levels for credit risk management, internal control and compliance. It pushed forward the development of its regional management transformation, reinforced resource support to its Southeast Asian entities and implemented differentiated development strategies among those entities. BOCHK continuously enriched its product and service portfolios for these entities so as to expand into local mainstream markets. It focused on major clients and projects, actively developing business with institutional clients and promoting RMB products and treasury business. Regional synergies were further enhanced through integrated marketing, resulting in continuous expansion of customer base and business scale.

BOCHK strengthened collaboration within the Group and actively expanded its cross-border business. BOCHK continued to capitalise on its competitive edges in the Chinese mainland and Hong Kong, and strengthened its collaboration with other entities of the Group to gradually enrich its product range in the Greater Bay Area across four major aspects of cross-border activities: people flow, commodities flow, fund flow and information flow in order to further increase its market share and enhance its market influence. It promoted the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. The organisation of the Guangdong-Hong Kong-Macao Greater Bay Area Financial Summit Forum further enhanced cross-border collaborations and elevated the Group's brand image in the Greater Bay Area. It also launched the "Guangdong-Hong Kong Business Registration and Banking Services Connect" to provide cross-border business registration for SMEs in Hong Kong to assist their development in the Greater Bay Area. By establishing branches and automated banking services in Hong Kong's major cross-border transportation termini, including Hong Kong International Airport, West Kowloon Rail Station of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, BOCHK fully expanded its service network for cross-border customers. It accelerated the mutual access of cross-border services and mutual brand recognition so as to meet the demand of customers from Guangdong, Hong Kong and Macao for financial services, including account opening, payment services, wealth management and financing, thus helping to build the Greater Bay Area into a high-quality lifestyle destination that is ideal for living, working and travelling. As a result, BOCHK achieved an encouraging increase in the number of cross-border customers.

BOCHK elevated its competitive edge in financial markets and accelerated the development of its diversified business platforms. Actively responding to market changes, BOCHK promoted business diversification and conducted stringent risk management and control measures. It strengthened its trading system infrastructure and refined its electronic trading platform in order to improve its trading capability. It also enhanced the development of innovative treasury products and enriched its product and service portfolios, which led to continuous growth in market competitiveness and customer base, and a relatively rapid growth in customer-driven business. Leveraging its leading position in the banknote market, BOCHK actively developed its banknote business in the Asia Pacific region and further reinforced its competitive edge in the wholesale banknotes business. Its bond underwriting business was satisfactory as it assisted corporates and institutions to successfully issue a number of USD, EUR and RMB-denominated green bonds. Capitalising on the collaborative synergy of its diversified business platforms, BOCHK continued to boost the development of its business platforms, including life insurance, asset management, custody and trust services as well as securities and futures, to provide customers with whole-value-chain financial services and forge new competitive advantages.

BOCHK expedited digital development and promoted innovation in financial technology ("**FinTech**"). BOCHK strengthened O2O integration and remained committed to becoming a customer-centric digital bank. As a result, both the total number of customers using e-channels and the number of e-channel transactions continued to rise. BOCHK continued to enhance its cross-border payment and collection services with the launch of the BoC Pay, the first one-stop cross-border payment mobile application to support UnionPay QR code payment and added-value services for customers in both the Chinese mainland and Hong Kong. It also launched BoC Bill, the first comprehensive collection platform in Hong Kong to support UnionPay QR code payment, providing merchants with comprehensive collection services through different collection channels. In support of the Faster Payment System ("**FPS**") introduced by the Hong Kong Monetary Authority ("**HKMA**"), it provided HKD and RMB real-time interbank transfer and

cross-platform merchant collection services for personal and corporate customers. It enhanced iService to support branch personnel and its cloud-based call centre with mobile terminals, leading to a notable improvement in the overall productivity of its service network. The promotion of finger vein authentication services provided customers with a more convenient identity authentication process. BOCHK also enhanced the development of a new smart branch model and launched a new customer service process. With the aim of building a green bank, it continued to enhance paperless business operations and digital information in order to reduce the adverse environmental impact.

BOCHK was awarded “Strongest Bank in Asia Pacific and Hong Kong”, “Best Trade Finance Bank in Hong Kong” and “Best Corporate Trade Finance Deal in Hong Kong” from The Asian Banker, “Best Bank for CSR in Hong Kong” from Asiamoney, “Hong Kong Domestic Cash Management Bank of the Year”, “Gold and Precious Metals Bank of the Year – Hong Kong”, “Service Innovation of the Year – Hong Kong”, “Mobile Banking Initiative of the Year – Hong Kong” and “Digital Banking Initiative of the Year – Hong Kong” from Asian Banking and Finance, “Best Hong Kong Deal” from FinanceAsia and “Best SME’s Partner Gold Award” from the Hong Kong General Chamber of Small and Medium Business. Its issuance of additional tier 1 capital securities during the year also received the “Best Hong Kong Deal” award from FinanceAsia.

#### **4 Comprehensive Operation Platforms**

The Bank gave full play to the competitive advantages inherent in its integrated operations and actively seized opportunities arising from the “Belt and Road” initiative and the development of the PRC’s multi-layered capital markets. By focusing on its specialised business areas, deepening business collaboration and promoting cross-selling and product innovation, it provided comprehensive and high quality financial services to customers.

##### ***Investment Banking Business***

###### ***BOC International***

The Bank is engaged in investment banking business through BOC International. As at 31 December 2018, BOC International had an issued share capital of HKD3.539 billion, total assets of HKD64.058 billion and net assets of HKD18.483 billion. BOC International’s profit for year ended 31 December 2018 was HKD1.607 billion. BOC International holds leading positions in a number of its core businesses.

BOC International actively captured strategic opportunities arising from the “Belt and Road” initiative and Chinese enterprises “Going Global” efforts, mixed ownership reform of state-owned enterprises and the development of the Guangdong-Hong Kong-Macao Bay Area. It continuously strengthened its marketing efforts, reinforced internal controls and enhanced risk management practices. With the aims of serving the real economy and supporting private enterprises, BOC International strived to improve its core businesses and strengthened its integrated “investment banking + commercial banking” services.

BOC International made solid progress in providing integrated cross-border services for global clients. It actively explored opportunities in the Southeast Asian market, strengthened its development in M&A business and leveraged its structural advantages in government services and its financial solution expert panel to promote cross-border cooperation with the Group’s branches and subsidiaries. In addition, it achieved steady progress in its equity underwriting and financial advisory businesses, including assisting on Qingdao Haier’s IPO, which was the first Chinese D-share to be listed on the China Europe International Exchange in Frankfurt. BOC International’s bond issuance and underwriting businesses continued to maintain leading positions in the market. Deeply rooted in Hong Kong and Macao, BOC International leveraged its competitive edges in the Chinese mainland and continued to expand its sales network globally. Keeping abreast of market changes, it further improved its value and influence as a “think tank” in terms of research capability.

BOC International steadily upgraded its brokerage and trading system with the aid of big data and artificial intelligence (“AI”) technologies, thus strengthening its cross-selling and improving its targeted marketing and customer services. To keep ahead of market trends, BOC International launched callable bull/bear contracts, thereby solidifying its leading positions in terms of brokerage and equity derivatives business in Hong Kong. It improved its asset management business structure with a focus on providing differentiated investment products and services for its clients. Moreover, it offered a full range of

comprehensive wealth management and inheritance solutions and private banking investment products, and continuously improved its service and system platforms in a bid to consolidate its leading position and competitive advantages among Chinese-funded private banks. BOCI-Prudential Asset Management Limited, a subsidiary of BOC International, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund and Macao Pension Fund businesses. BOC International further enriched its investment fund offering and actively participated in the Mainland-Hong Kong Mutual Recognition of Funds scheme to provide quality services to Chinese mainland investors.

BOC International seized opportunities arising from capital market developments in the Chinese mainland, strengthened cross-border business cooperation, explored high quality projects in line with industry development trends and increased RMB equity investment. In addition, BOC International established a new benchmark in the global commodities market by launching the “BOC International China Commodities Index” and boosted the internalisation of China’s futures market by completing the first offshore trades of Chinese domestic crude oil and iron ore futures.

BOC International received a number of awards from respected media organisations, including “Best Corporate & Investment Bank”, “Best Private Bank, Hong Kong – High Net Worth Individuals”, “Best Overall Chinese Bank for BRI”, “Best Bond House”, “Base Metals House of the Year, Asia”, “Innovation House of the Year, Asia” and “Mutual Funds – Equity-Hong Kong – Outstanding Performer”, and “MPFs (10 Years) – Equity – Global – Outstanding Performer”.

#### *BOCI China*

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 31 December 2018, the registered capital, total assets and net assets of BOCI China were RMB2.500 billion, RMB47.200 billion and RMB12.045 billion, respectively. BOCI China’s profit for the year ended 31 December 2018 was RMB706 million.

BOCI China endeavoured to push forward business transformation and outperform its peers. Deepening the synergistic advantages of “investment bank + commercial bank”, “investment bank + investment” and “domestic + overseas” in its investment banking business. BOCI China shifted its investment banking focus towards transaction-driven comprehensive financial services, shifted its asset management business focus towards active management. In 2018, BOCI China ranked ninth for both stock and bond underwriting scale, and seventh and eighth for asset under management and income respectively. BOCI China pushed forward its brokerage business transformation with a focus towards wealth management, while improving the versatility of its branches. As a result, BOCI China continually increased its service capability and market influence.

BOCI China was awarded “Top Ten Asset Securitisation Investment Banks”, “Excellent Emerging Investment Bank”, “Five-star Green Bond Programme”, “Excellent Asset Management Broker”, “Top Ten Innovative Asset Management/Fund Products” and “Excellent Fixed-income Investment Team” by Securities Times, “Avant-garde Customer Services Delivered by Chinese Institutions” by International Financial News and “Most Valuable Golden Bull Analyst” by China Securities Journal.

#### *BOCIM*

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 31 December 2018, BOCIM’s registered capital amounted to RMB100 million, its total assets stood at RMB4.060 billion and its net assets totalled RMB3.020 billion. For the year ended 31 December 2018, BOCIM realised a profit of RMB973 million.

By steadily expanding its asset management business and implementing sound internal controls and risk management, BOCIM achieved continuous growth in profitability, improved its brand and market reputation and further enhanced its comprehensive strengths. As at 31 December 2018, BOCIM’s assets under management reached RMB769.2 billion. In particular, its public-offered funds reached RMB401.1 billion and its non-monetary public-offered funds reached RMB187.6 billion.

In 2018, BOCIM won “the 20th Anniversary of Fund Industry – Best Fixed Income Fund Manager” from China Fund, as well as the “Gold Fund” Top Fund Company Award from Shanghai Securities News and other prestigious awards.

## *Insurance*

### *BOCG Insurance*

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 31 December 2018, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD8.563 billion and net assets of HKD4.002 billion. For the year ended 31 December 2018, BOCG Insurance recorded gross written premiums of HKD2.344 billion and a profit of HKD21 million, remaining at the forefront of the Hong Kong general insurance market in terms of gross written premium.

BOCG Insurance actively served the “Belt and Road” Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. Through strengthened collaboration with the Group’s institutions, it secured a contract for all-risk property insurance with the Vientiane World Trade Centre in Laos and a contract for third-party liability insurance covering cars passing over the Hong Kong-Zhuhai-Macao Bridge, representing new breakthroughs in collaboration formats that have enhanced its integrated financial service capacity.

Upholding the strategic philosophy of “advancing development through technology, featured businesses, innovation and market-oriented approaches” and the market development strategy of “deepen services in Hong Kong, refine business approach in the Chinese mainland, reach out to overseas markets and widen brand awareness”, BOCG Insurance continuously deepened cooperation with other insurance companies. It seized market opportunities through reinsurance channels, thus expanding its business coverage from regional to international. It also promoted the upgrade of its core business system and its new official website, and adopted membership management of customers, thus further improving customer experience.

Taking its strategy, market conditions, regulations and technology into consideration, BOCG Insurance continued to improve its organisational structure in accordance with the management principles governing customers, products and channels. It also made a concerted effort to establish a full-scale, whole-process and all-staff risk management system so as to ensure the sound function of the “three lines of defence” for internal control. BOCG Insurance strengthened its risk management early warning mechanism, which effectively reduced the impacts of natural disasters including Typhoon Mangkhut. Moreover, it reinforced its risk appetite management for insurance underwriting, reinsurance and investment, and efficiently enhanced risk compliance awareness, all of which led to more professional risk management.

### *BOC Life*

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at 31 December 2018, BOC Life’s issued share capital was HKD3.538 billion, total assets amounted to HKD132.415 billion and net assets amounted to HKD8.317 billion. BOC Life recorded a profit for the year ended 31 December 2018 of HKD0.854 billion.

BOC Life proactively broadened its multiple distribution channels and developed innovative products and value-added services. Meeting differentiated customers’ needs, BOC Life launched the revamped “SmartUp Plus Whole Life Insurance Plan” and the new “SmartGuard Critical Illness Plan” to increase the value of new business. It introduced a new annuity product “Smart Immediate Annuity Plan” to cater to customers’ demands in annuity product and retirement protection. As part of its innovation in distribution platforms, BOC Life gained a foothold in the insurance product platforms of renowned internet companies so as to attract more customers from the mobile segment. It launched its first critical illness product “AlongPro Critical Illness Plan” on these online platforms as well as on the BOC Life official website. 2018 marked the 20th anniversary of BOC Life. In addition, it rolled out a series of promotional programmes to raise awareness of its life insurance business and further strengthen its brand image.

BOC Life increased the application of innovative technology and effectively enhanced customer experience. It launched an innovative AI chatbot service to provide customers with information about insurance, payments, claims, etc. In an effort to develop the younger customer segment, BOC Life promoted its electronic policy services and launched “eClaims” to provide customers with convenient and efficient claim assessment services. In line with the FPS introduced by the HKMA, BOC Life was among the first batch of insurance companies in Hong Kong to apply its instant payment functions for premium collection and claims payment.

BOC Life achieved sound financial performance. Moody’s Investors Service upgraded its insurance financial strength rating by one notch to A1, which reflects BOC Life’s track record of solid profitability, solvency ratio and capital strength.

## *BOC Insurance*

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 31 December 2018, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB12.606 billion and net assets of RMB3.969 billion. In 2018, it realised gross written premiums of RMB6.050 billion, and a profit for the year of RMB205 million.

Following national strategies, BOC Insurance paid attention to market trends and customer needs, remained committed to serving the real economy and continued to improve its comprehensive financial services. BOC Insurance actively responded to the “Belt and Road” Initiative by supporting large domestic enterprises in their “Going Global” efforts. It maintained a leading position in overseas insurance business, covering nearly 30 industries in more than 70 countries and regions including Asia, Africa and South America. It pioneered customs bond insurance to make customs clearance more convenient for import enterprises. BOC Insurance supported enterprises’ technological innovations by being an authorized insurer in the pilot program of the insurance compensation mechanism for the first (set of) major technical equipment, so as to facilitate equipment improvement. It supported regional development strategies and assisted in the development of Guangdong-Hong Kong-Macao Greater Bay Area by providing insurance services for the Hong Kong-Zhuhai-Macao Bridge. In addition, it assumed its share of social responsibility by joining the single-purpose pre-paid card performance bond insurance pool and the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool for Chinese urban and rural residential buildings. BOC Insurance handled various insurance claims in an efficient and dedicated manner. In 2018, BOC Insurance launched a timely emergency mechanism to deal with natural disasters and major accidents. It also ensured fast claim handling in order to effectively support customers in restoring production and continuously enhance the customer experience.

Due to a sound risk condition and steady operations, BOC Insurance received an “A” regulatory rating for the ninth consecutive quarter, and also maintained an “A” rating and a “stable” outlook from Standard & Poor’s in recognition of the remarkable enhancement in its overall capabilities. It received “Outstanding Insurance Brand” award in the 2018 leading in China Awards organised by JRJ.com, as well as being recognised as “2018 Excellent Competitive Property Insurance Company” by China Business. Its customs bond insurance product won the “Innovative Insurance Product” award at Hexun’s 2018 China’s Financial Annual Champion Awards.

## *BOC-Samsung Life Ins. Co., Ltd. (“BOC-Samsung Life”)*

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at 31 December 2018, BOC-Samsung Life’s registered capital stood at RMB1.667 billion, total assets amounted to RMB14.805 billion and net assets amounted to RMB1.291 billion. For the year ended 31 December 2018, it recorded written premiums and premium deposits of RMB7.204 billion and a profit for the year of RMB35 million.

BOC-Samsung Life continued to enhance its cross-selling and collaborative service capabilities within the Group. In 2018, it realised a year-on-year increase of 96 per cent. in group insurance premiums brokered by the Bank, and a year-on-year increase of 105 per cent. in premiums insuring BOC credit card clients. In 2018, BOC-Samsung Life expanded its customer service channels by launching new branches in seven regions including Suzhou, Jiangsu, and Zhongshan, Guangdong.

BOC-Samsung Life also constructed a comprehensive life insurance service portal on the BOC mobile banking platform and provided a physical examination service at the Samsung Medical Centre for high-end clients. It upgraded its mobile sales system and service platforms and launched a new core system for group insurance, improving its automatic underwriting efficiency by nearly 60% and increasing the proportion of after-sale service processes conducted via the WeChat official account by nearly 20%. Moreover, BOC-Samsung Life strengthened its product development capability and introduced a specific illness insurance product “AiJiaBao”, which strengthened the protection function of its product line.

BOC-Samsung Life was awarded “2018 China’s Insurance Annual Champion Awards-Excellent Foreign Insurance Company” by National Business Daily. Its lifetime critical illness insurance product “XiangYou” and life insurance product “ZunXiangJiaYing II” won the “Health Products of the Year Award” and “Life Insurance Products of the Year Award” respectively at the 2018 Insurance Product Innovation Forum held by China Insurance News.

## ***Investment Business***

### ***BOCG Investment***

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business scope includes private equity investment, fund investment and management, real estate investment and management and NPA investment. As at 31 December 2018, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD116.299 billion and net assets of HKD61.264 billion. BOCG Investment's profit for the year ended 31 December 2018 was HKD3.892 billion.

In 2018, BOCG Investment effectively implemented the Group's overall development strategies and steadily pushed forward its business transformation from "investment" to "investment + investment management". It focused on opportunities arising from new industries and new business types and formats, and completed investments in a number of major projects. It actively participated in the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and initiated the establishment of the Greater Bay Area Homeland Development Fund. In the course of diversifying its financing channels, BOCG Investment issued RMB1.0 billion and RMB2.0 billion of Panda Bonds on the Shanghai Stock Exchange and domestic interbank bond market respectively in 2018. In line with the Group's targeted poverty alleviation initiatives, it completed the initial stage of capital injection in the Xianyang City – CP Group Pig-Farming Project. BOCG Investment achieved sustainable development through strengthening post-investment management and exit management.

### ***BOC Asset Investment***

The Bank is engaged in debt-for-equity conversion and related business in the Chinese mainland through BOC Asset Investment. As at 31 December 2018, the registered capital of BOC Asset Investment was RMB10.000 billion, with its total assets and net assets standing at RMB21.172 billion and RMB10.107 billion, respectively. BOC Asset Investment's profit for the year ended 31 December 2018 was RMB234 million.

BOC Asset Investment actively implemented the national strategy of deepening supply-side structural reform. It conducted debt-for-equity conversions based on both market-oriented and law-based principles, with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and improve market value. In 2018, the market-oriented debt-for-equity conversion business of BOC Asset Investment reached RMB43.861 billion. Seventeen director-supervisors were appointed to participate in the corporate governance of the enterprises conducting the conversion. BOC Asset Investment established a subsidiary company engaged in private equity investment funds and successfully launched its first debt-to-equity private equity investment fund. The company also explored a new approach to market-oriented debt-for-equity conversion business by completing the first project in China to convert non-listed non-public joint-stock companies into preferred shares.

## ***Leasing Business***

### ***BOC Aviation***

The Bank is engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by the value of owned aircraft. As at 31 December 2018, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD18.256 billion and net assets of USD4.199 billion. BOC Aviation's profit for the year ended 31 December 2018 was USD0.620 billion.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. As at 31 December 2018, actively supporting the Belt and Road Initiative, it had leased more than 75 per cent. of its aircraft to airlines of the Belt and Road countries and regions as well as airlines based in the Chinese mainland, Hong Kong, Macao and Taiwan, thus supporting the "Belt and Road" Initiative. Actively targeting customer demand, it took delivery of 55 aircraft, including five aircraft that airline customers purchased at delivery, all of which have been placed on long-term leases, as its owned fleet continued to expand. During 2018, BOC Aviation signed 92 leases for future deliveries and added 17 new customers. It consistently sought to optimise its asset structure and improve its sustainable development. It sold 34 owned and seven managed aircraft in 2018, leaving it with an average owned fleet age of three years (weighted by net book value) as at 31 December 2018, one of the youngest aircraft portfolios in the aircraft leasing industry.



## 5 Service Channels

The Bank has established professional and diversified service channels and provides comprehensive financial services to customers in the Chinese mainland and many other countries and regions. Centred on enhancing customer experience, the Bank pushed forward its service channel integration and outlet transformation so as to attract more customers and drive stronger economies of scale. As a result, it cultivated an ecosystem wherein online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

### *Outlet Development*

The Bank pushed forward the construction of its next-generation intelligent outlets, featuring smart counters. Led by the popularisation and upgrading of smart counters, it endeavoured to transform its outlets' service model from "transaction-processing" to "value-creating". As at 31 December 2018, the Bank had completed nine smart counter upgrades and rolled out 41 categories of service scenarios with 186 sub-categories. Smart counters provide an intelligent service system covering basic finance, targeted sales, online and offline coordination, cross-border features and corporate banking. In 2018, the Bank installed smart counters in all of its banking outlets in the Chinese mainland, further increasing the Bank's smart service capability and coverage. Mobile counters covers 36 tier-1 branches in the Chinese mainland with the aim of encouraging a proactive approach to acquiring customers beyond the boundary of the outlet hall, thus expanding the Bank's financial service coverage and transforming its operation model. The Bank piloted corporate account opening via mobile counters. It extended its services, including corporate account opening, product enabling and online services, to off-premises marketing scenarios for the first time. As a result, the launch of mobile counters further improved the Bank's basic customer and account service capabilities. The Bank also piloted a cash version of smart counters. Taking RMB banknotes as the starting point, these smart counters provide a one-stop smart cash service integrating multiple mediums, denominations and transaction options for customers. The cash-based smart counters represented a breakthrough in solving the "last mile" problem in the migration of counter-based services.

The Bank optimised its outlet performance assessment system and carried forward the classification and differentiated development of its outlets. It also extended its service channels and improved financial services in county areas. The Bank consistently refined the operational management of its outlets and adjusted the authority and responsibilities of outlet employee positions. It improved outlets' marketing service approaches to improve customer experience and strengthened the risk management of each outlet business line, thus enhancing comprehensive operational efficiency.

As at 31 December 2018, the Bank's domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,726 branches and outlets. The Bank's domestic non-commercial banking institutions totalled 467, and the number of its institutions in Hong Kong, Macao, Taiwan and other countries and regions totalled 548.

### *Internet Finance*

Pursuing innovation-driven development in internet finance business, the Bank realised rapid growth in its mobile banking business with enriched functions and improved user experience. The Bank's internet finance business ranking rose significantly in evaluations made by authorities and mainstream media. In 2018, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 93.99 per cent., while its e-channel transaction amount reached RMB223.53 trillion, an increase of 16.18 per cent. compared with the prior year. Among this, mobile banking transaction volumes reached RMB20.03 trillion, an increase of 82.68 per cent. compared with the prior year, making mobile banking the online trading channel with the most active customers.

|   | As at 31 December    |          |          |
|---|----------------------|----------|----------|
|   | 2018                 | 2017     | 2016     |
|   | <i>(in millions)</i> |          |          |
| Number of Corporate Online Banking Customers . . . .  | 3.8905               | 3.4169   | 3.1408   |
| Number of Personal Online Banking Customers . . . . . | 166.2361             | 147.9722 | 133.7110 |
| Number of Mobile Banking Customers . . . . .          | 145.3118             | 115.3257 | 94.3995  |
| Number of Telephone Banking Customers . . . . .       | 113.7678             | 113.3691 | 111.2993 |

**For the year ended 31 December**

|  | <b>2018</b>          | <b>2017</b> | <b>2016</b> |
|--|----------------------|-------------|-------------|
|  | <i>(in billions)</i> |             |             |
| Transaction amount of Corporate Online Banking . . . . | 190,007.123          | 165,881.831 | 135,853.067 |
| Transaction amount of Personal e-Banking . . . . .     | 30,076.152           | 22,591.912  | 20,333.010  |
| Transaction amount of Mobile Banking . . . . .         | 20,031.165           | 10,965.139  | 6,842.408   |

Following a “Mobile First” strategy, the Bank built a mobile portal for its integrated financial services. The Bank’s new mobile banking offers approximately 200 types of financial services, further improving its functions and user experience. The Bank’s mobile banking portal also created customised services by leveraging new technologies such as AI, big data and biometric identification. The Bank introduced new features to its mobile banking service including facial recognition and authentication, speech recognition search, gesture login, and rolled out intelligent investment advisor and smart customer service functions, etc. As a result, it improved the intelligent service levels of its mobile banking. The Bank provided featured services such as cross-border finance, integrated finance, mobile payment and asset management, as well as functions including digital credit cards, Visa Express and reservation of foreign currency banknotes. To increase customer interactions and customer stickiness, the Bank utilised webcasting for mobile banking by building BOC Live Platform. It also created more security authentication methods for its mobile banking services, promoting SIM Key and Mobile Key on a pilot basis. The Bank further improved the service functions of its online banking, telephone banking, WeChat banking and SMS banking, thus creating better customer experience.

The Bank continuously enriched its internet finance products. Based on market and customer demand, the Bank offered leading products such as online payment, financial supermarket, “BOC E-Credit”, “BOC E Rong Hui” and “BOC Easy-trade Cyber-tariff”. It promoted the development of online payments, and became the first bank to connect to, conduct transactions on, and switch directly-connected transactions to the online clearing platform. It also introduced the pioneering cross-border UnionPay QR code payment product. The Bank has built a one-stop financial supermarket to integrate Group-wide resources. It offers 18 categories of investment and wealth management products covering bank wealth management, funds distribution, precious metals, foreign exchange, etc. Focusing on data and scenarios, the Bank endeavoured to expand the customer base and enrich the customer acquisition scenarios of “BOC E-Credit”. It established an innovation and incubation mechanism for online financing, and developed a credit risk assessment model for personal customers based on consumer behaviours and scenario data. The Bank maintained its competitive advantages in tariff business. Cooperating with the General Administration of Customs and PBOC, it became the first bank in the industry to pilot and launch the “Single Window” model for tax payment and electronic letter of guarantee for tariff payments services nation-wide. The “BOC Easy-trade Cyber-tariff” business continued to lead its peers in market share.

The Bank enriched its service scenarios to improve customer stickiness. Using mobile banking as a unified portal, the Bank reinforced external scenario cooperation, attracted more quality merchants to its “Life Channel” and provided more cross-border services, branch-featured services as well as other value-added services. The Bank launched the E-BOC scenario expansion platform. It embedded its products into internet scenarios to deliver public services such as online account opening, inter-bank transfer, and risk evaluation. It also released scenario-based financial services, including Precious Metals Savings and reservation of foreign currency banknotes, together with partners.

In 2018, the Bank further leveraged FinTech to enhance the fundamental service capacity of its internet finance business. It established an enterprise-level concurrent risk control system and a whole-process internet finance risk management and control system that covers pre-event, concurrent and post-event risk control. The Bank further enhanced its big data analysis capabilities by building a customer tag service system. This system covers both corporate and personal customers and has allowed the Bank to construct targeted service of data mining, data analysis, marketing strategy and outcome feedback. The Bank also rolled out the main functions of its new-generation customer service programme, building a cross-channel, cross-scenario and cross-platform intelligent customer contact centre. It also introduced a video-based online global expert service, thus constantly improving its smart customer service capability. The Bank upgraded its corporate mobile banking by adding biometric identification, account management, electronic reconciliation and comprehensive transfer functions, and by launching online corporate account opening, corporate group insurance and proactive marketing for wealth management products.

## ***Information Technology Development***

Following a technology and innovation-driven strategy, the Bank continuously improved its IT governance and promoted the integrated development of the Group's information technology. These improvements actively facilitated the implementation of the Group's strategy.

The Bank successfully completed its overseas information system integration and transformation project, an effort which lasted for six years and covered 50 countries and regions on six continents. Through this system, the Bank realises global coverage with one core system, information system version unification, centralised deployment and integrated operation and management.

The Bank launched key projects including mobile banking, smart counters, transaction banking, smart customer service, intelligent investment advisor, intelligent customer management, consumer finance, a quantitative trading platform, a smart risk control system and a scenario-based financial ecosystem, thus supporting its business development and promoting the Group's digital transformation.

The Bank followed a technical development route that gives equal emphasis to centralised and distributed architectures, so as to push forward the strategic transformation of its technical architecture. It established three new technology platforms: cloud computing, big data and AI. These platforms are the foundations for the network-based, intelligent and ecological management of the Bank's business and operations. It also made substantial breakthroughs in disaster-recovery backup and high availability architecture, laying a foundation for the long-term development of the Bank's IT capacity. Adapting to development trends in the digital era, the Bank boosted the transformation of its IT systems and mechanisms by establishing its first global innovation and research and development base in Singapore and launching an international version of its mobile banking service.

The Bank conducted research into the applications of such novel technologies as AI, biometric identification, and blockchain technology. The research focused on applying such technologies to prevent and control risks, enhance customer experience, strengthen business transactions, and improve security operations, etc. Adhering to the principle that FinTech innovation should essentially serve business development, the Bank closely tracked developments in core FinTech applications, explored scenario-based applications, and pushed forward the integration of innovative technologies within its businesses. It launched a forfaiting trading platform designed and developed jointly with other banks based on blockchain technology. The Bank deepened the application of AI technologies to conduct research and development of its foreign exchange price forecast model and intelligent SWIFT routing model. It also explored the application of deep learning technology to improve its modelling result, in order to enhance the reliability of its forecasting.

## **Major Contracts**

### ***Material Custody, Sub-contracts and Leases***

In 2018, the Bank did not take, or allow to subsist any significant custody of, subcontract or lease assets from other companies, or allow its material business assets to be subject to such arrangements, in each case that is required to be disclosed.

### ***Material Guarantee Business***

As approved by PBOC and CBIRC, the Bank's guarantee business is an off-balance-sheet item in the ordinary course of its business. The Bank operates the guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in respect of the risks of guarantee business and carried out this business accordingly. In 2018, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.


## Employees

As at 31 December 2018, the Bank had a total of 310,119 employees. There were 285,797 employees in the operations of the Chinese mainland, of which 274,263 worked in the Bank's domestic commercial banking operations. There were 24,322 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries and regions. As at 31 December 2018, the Bank bore costs for a total of 5,493 retirees.

The following table sets forth the total number of employees by geographic distribution as at 31 December 2018:

|                                      | <b>Number of<br/>employees</b> | <b>% of total</b> |
|--------------------------------------|--------------------------------|-------------------|
| Northern China. . . . .              | 61,524                         | 19.85             |
| Northeastern China. . . . .          | 25,040                         | 8.07              |
| Eastern China. . . . .               | 92,847                         | 29.94             |
| Central and Southern China. . . . .  | 68,416                         | 22.06             |
| Western China . . . . .              | 37,970                         | 12.24             |
| Hong Kong, Macau and Taiwan. . . . . | 18,555                         | 5.98              |
| Other countries and regions. . . . . | 5,767                          | 1.86              |
| <b>Total</b> . . . . .               | <b>310,119</b>                 | <b>100.00</b>     |

## Intellectual Property

The Bank owns various intellectual property rights including trademarks, patents, domain names, and copyrights. The Bank conducts business under the “Bank of China”, “BOC”, “中國銀行”, “中銀”, “中行” and “”, and other brand names and logos.

## DESCRIPTION OF THE HONG KONG BRANCH

The Bank set up its branch in Hong Kong in 1917. After BOCHK Holdings became listed on the Hong Kong Stock Exchange in 2002, the Hong Kong branch of the Bank kept the full banking license and became an authorised institution under the laws and regulations of Hong Kong. The Bank of China Limited Hong Kong Branch (“**Hong Kong Branch**”) is positioned to be the offshore investment and financing platform for the Group, with a strategic goal to become the Group’s offshore platform to provide comprehensive global financial market services.

### **Business Activities**

The Hong Kong Branch is a licensed bank in Hong Kong, with its registered office at Bank of China Tower, 1 Garden Road, Central, Hong Kong, and is currently focusing on the development of its wholesale banking business. A broad range of financial services are offered by the Hong Kong Branch to serve clients’ specific needs, including financing and lending services, bond investment and bond underwriting and subscription etc.

In addition, the Bank is an institution registered with the Securities and Futures Commission and may conduct the following regulated activities: (1) dealing in securities, (2) advising on securities, (3) advising on corporate finance and (4) asset management.

### **Hong Kong Regulatory Guidelines**

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to HKMA. The Banking Ordinance provides that only banks, which have been granted a banking license (“**license**”) by HKMA, may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (“**licensed banks**”).

The provisions of the Banking Ordinance are implemented by HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. HKMA supervises licensed banks through, among others, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches. HKMA has the right to allow returns to be made at less frequent intervals;
- HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as HKMA may require. HKMA may also require a report by the licensed bank’s auditors (approved by HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;
- licensed banks may be required to provide information to HKMA regarding companies in which they have an aggregate of 20% or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank’s business;
- licensed banks are obliged to report to HKMA immediately of their likelihood of becoming unable to meet their obligations;
- HKMA may direct a licensed bank to appoint an auditor to report to HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as HKMA may reasonably require; and
- HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by HKMA on a regular basis.

## **RISK MANAGEMENT**

The Group's primary risk management objectives are to maximise value for equity holders while maintaining risk within acceptable parameters, optimising capital allocation and satisfying the requirements of the regulatory authorities, the Group's depositors and other stakeholders for the Group's prudent and stable development.

The Group has designed a series of risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk, and other price risk.

### **Risk Management Framework**

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures related to risk management. The Risk Management Department, the Credit Management Department, the Financial Management Department and other relevant functional departments are responsible for monitoring financial risks.

The Group manages the risks at the branch level through direct reporting from the branches to the relevant departments responsible for risk management at the Head Office. Business line related risks are monitored through establishing specific risk management teams within the business departments. The Group monitors and controls risk management at subsidiaries by appointing members of their Board of Directors and risk management committees as appropriate.

### **Credit Risk Management**

The Group takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is one of the most significant risks for the Group's business.

Credit risk exposures arise principally in lending activities and debt securities investment activities. There is also credit risk in off-balance sheet financial instruments, such as derivatives, loan commitments, bill acceptance, letters of guarantee and letters of credit.

Closely tracking changes in macroeconomic and financial conditions as well as regulatory requirements, the Bank improved its management mechanisms, adjusted its structure, and controlled and mitigated credit risks. In addition, the Bank strengthened credit asset quality management, further improved its credit risk management policies and pushed forward the optimisation of its credit structure. It also held fast to the risk compliance bottom line and took a proactive and forward-looking stance towards the continual improvement of its credit risk management.

Taking a customer-centric approach, the Bank further strengthened its unified credit granting management and enhanced full-scope centralised credit risk management. The Bank further improved its long-acting credit management mechanism and asset quality monitoring system and further enhanced potential risk identification, control and mitigation mechanisms by intensifying post-lending management and reinforcing customer concentration management and control. The Bank enhanced the supervision of risk analysis and asset quality control in key regions and strengthened window guidance on all business lines. In order to effectively strengthen the management and control of customer concentration risk, the Bank constructed the management policies of large exposures, which specified the management structure, working process and measurement rules, etc.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it stepped up the application of the New Basel Capital Accord and improved the management plans of its credit portfolios. In line with the government's macro-control measures and the direction of industrial policy, the Bank enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system so as to optimise its credit structure.

In terms of corporate banking, the Bank further strengthened risk identification and control, proactively reduced and exited credit relationships in key fields, strictly controlled the gross outstanding amount and use of loans through limit management and prevented and mitigated risk from overcapacity industries. It intensified the management of loans to LGFVs and strictly controlled the outstanding balances. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans. In terms of personal banking, the Bank improved unified credit granting management for personal customers and revised management policies for unsecured start-up loans, small-amount loans for poverty alleviation, and loans mortgaged against rural contracted land management rights or farmers' housing property rights, thus supporting the development of its inclusive finance business. It kept improving management policies for personal online loans and credit card overdrafts, in order to prevent the risks of excessive credit and cross-infection. The Bank enforced regulatory requirements and continued to strictly implement differentiated policies on residential mortgages. It also strengthened the risk control of key products and regions.

The Bank strengthened country risk management. It performed an annual review of country risk ratings and implemented limit management and control of country risk exposures. It pushed forward the production and launch of the new Country Risk System, realised timely tally of country risk exposure at the Group level and assess, monitor, analyse and report its exposures on a regular basis. The Bank also established a country risk monitoring and reporting system covering "yearly reporting and the timely reporting of material risk events", which made it possible to regularly publish country risk analysis reports within the Group and make timely assessments of the impact of material country risk events. In addition, the Bank adopted differentiated management of potentially high-risk and sensitive countries and regions. By concentrating its net exposures to country risk in countries and regions that are relatively low or low, the Bank contained its overall country risk at a reasonable level.

The Bank further stepped up the collection of non-performing assets ("NPAs"). It re-allocated internal and external collection resources and continued to adopt centralised and tiered management of NPA projects. It reinforced the supervision of key regions and key projects, in order to improve the quality and efficiency of disposals. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it adopted policies based on the actual conditions of individual enterprises and took multiple measures where necessary. It gave full play to the role of creditor committee and enhanced the application of debt-for-equity swaps and restructuring efforts to help enterprises get out of difficulties, with the aim of realising mutual benefit for the Bank and the enterprises, and to support the real economy.

The Bank scientifically measured and managed the quality of credit assets based on the Guidelines for Loan Credit Risk Classification issued by CBIRC, which requires Chinese commercial banks to classify loans into the following five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as NPLs. In order to further refine its credit asset risk management, the Bank used a 13-tier risk classification criteria scheme for corporate loans to domestic companies, covering on-balance sheet and off-balance sheet credit assets. In addition, the Bank strengthened risk classification management of key industries, regions and material risk events, and dynamically adjusted classification results. It strengthened the management of loan terms, managed overdue loans by the name list system and made timely adjustments to risk classification results, so as to truly reflect asset quality. The overseas institutions of the Bank operated in line with the Guidelines for Loan Credit Risk Classification or the local applicable rules and requirements on credit risk classification, whichever is stricter.

As at 31 December 2018, the Group's NPLs<sup>1</sup> totalled RMB166.941 billion, an increase of RMB8.472 billion compared with the prior year-end. The NPL ratio was 1.42 per cent., down by 0.03 percentage point compared with the prior year-end. The Group's allowance for loan impairment losses amounted to RMB303.781 billion, an increase of RMB51.527 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 181.97 per cent., up by 22.79 percentage points from the prior year-end. The NPLs of domestic institutions totalled RMB162.778 billion, an increase of RMB8.570 billion compared with the prior year-end. Domestic institutions' NPL ratio was 1.76 per cent., down by 0.04 percentage point compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB342.363 billion, an increase of RMB25.338 billion compared with the prior year-end, accounting for 2.90 per cent. of total loans and advances, down by 0.01 percentage point from the prior year-end.

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<sup>1</sup> The loans and advances to customers in this section are exclusive of accrued interest.

The Group identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by the management.

The following table sets forth, at the dates indicated, the Group's loans and advances to customers categorised by geographical area:

|  | As at 31 December                        |               |                   |               |                  |               |
|--|--|---------------|-------------------|---------------|------------------|---------------|
|  | 2018                                     |               | 2017              |               | 2016             |               |
|  | Amount                                   | % of total    | Amount            | % of total    | Amount           | % of total    |
|  | <i>(RMB million, except percentages)</i> |               |                   |               |                  |               |
| Chinese mainland . . . . .                             | 9,273,549                                | 78.67         | 8,583,185         | 78.77         | 7,818,508        | 78.40         |
| Hong Kong, Macau and Taiwan . . . . .                  | 1,515,844                                | 12.86         | 1,339,149         | 12.29         | 1,220,962        | 12.24         |
| Other countries and regions . . . . .                  | 998,290                                  | 8.47          | 974,224           | 8.94          | 933,892          | 9.36          |
| <b>Total loans and advances to customers . . . . .</b> | <b>11,787,683</b>                        | <b>100.00</b> | <b>10,896,558</b> | <b>100.00</b> | <b>9,973,362</b> | <b>100.00</b> |

The following table sets forth, at the dates indicated, the Group's loans and advances to customers categorised by industry sectors of the borrowers:

|  | As at 31 December                        |               |                   |               |                  |               |
|--|--|---------------|-------------------|---------------|------------------|---------------|
|  | 2018                                     |               | 2017              |               | 2016             |               |
|  | Amount                                   | % of total    | Amount            | % of total    | Amount           | % of total    |
|  | <i>(RMB million, except percentages)</i> |               |                   |               |                  |               |
| <b>Corporate loans and advances</b>                                    |  |               |                   |               |                  |               |
| Manufacturing . . . . .  | 1,674,340                                | 14.21         | 1,685,179         | 15.46         | 1,632,912        | 16.37         |
| Commerce and services . . . . .  | 1,516,354                                | 12.86         | 1,557,095         | 14.29         | 1,313,693        | 13.17         |
| Transportation, storage and postal services . . . . .                  | 1,182,411                                | 10.03         | 1,056,755         | 9.70          | 988,773          | 9.91          |
| Real estate . . . . .  | 915,793                                  | 7.77          | 820,922           | 7.53          | 751,035          | 7.53          |
| Production and supply of electricity, heating, gas and water . . . . . | 648,849                                  | 5.50          | 599,896           | 5.51          | 519,161          | 5.21          |
| Mining . . . . .   | 320,369                                  | 2.72          | 338,316           | 3.10          | 352,706          | 3.54          |
| Financial services . . . . .   | 398,478                                  | 3.38          | 285,598           | 2.62          | 426,023          | 4.27          |
| Construction . . . . .   | 239,397                                  | 2.03          | 207,201           | 1.90          | 193,318          | 1.94          |
| Water, environment and public utility management . . . . .             | 167,811                                  | 1.42          | 160,941           | 1.48          | 159,660          | 1.60          |
| Public utilities . . . . .   | 125,917                                  | 1.07          | 117,419           | 1.08          | 107,372          | 1.08          |
| Other . . . . .  | 157,879                                  | 1.34          | 143,379           | 1.32          | 124,316          | 1.25          |
| <b>Subtotal . . . . .</b>  | <b>7,347,598</b>                         | <b>62.33</b>  | <b>6,972,701</b>  | <b>63.99</b>  | <b>6,568,969</b> | <b>65.87</b>  |
| <b>Personal loans</b>  |  |               |                   |               |                  |               |
| Mortgages . . . . .  | 3,503,563                                | 29.72         | 3,061,553         | 28.10         | 2,635,960        | 26.43         |
| Credit cards . . . . .   | 426,338                                  | 3.62          | 374,297           | 3.43          | 302,302          | 3.03          |
| Other . . . . .  | 510,184                                  | 4.33          | 488,007           | 4.48          | 466,131          | 4.67          |
| <b>Subtotal . . . . .</b>  | <b>4,440,085</b>                         | <b>37.67</b>  | <b>3,923,857</b>  | <b>36.01</b>  | <b>3,404,393</b> | <b>34.13</b>  |
| <b>Total loans and advances to customers . . . . .</b>                 | <b>11,787,683</b>                        | <b>100.00</b> | <b>10,896,558</b> | <b>100.00</b> | <b>9,973,362</b> | <b>100.00</b> |



The table below sets forth, as at the dates indicated, the Group's loan concentration by asset quality categories.

|   | As at 31 December                        |               |                   |               |                  |               |
|---|--|---------------|-------------------|---------------|------------------|---------------|
|   | 2018                                     |               | 2017              |               | 2016             |               |
|   | Amount                                   | % of total    | Amount            | % of total    | Amount           | % of total    |
|   | <i>(RMB million, except percentages)</i> |               |                   |               |                  |               |
| Pass . . . . .                                      | 11,278,379                               | 95.68         | 10,421,064        | 95.64         | 9,516,729        | 95.43         |
| Special-mention . . . . .                           | 342,363                                  | 2.90          | 317,025           | 2.91          | 310,630          | 3.11          |
| Substandard . . . . .                               | 49,788                                   | 0.42          | 59,265            | 0.54          | 61,247           | 0.61          |
| Doubtful . . . . .                                  | 49,341                                   | 0.42          | 45,404            | 0.42          | 36,817           | 0.37          |
| Loss . . . . .                                      | 67,812                                   | 0.58          | 53,800            | 0.49          | 47,939           | 0.48          |
| <b>Total . . . . .</b>                              | <b>11,787,683</b>                        | <b>100.00</b> | <b>10,896,558</b> | <b>100.00</b> | <b>9,973,362</b> | <b>100.00</b> |
| <b>Non-performing Loans<sup>(1)</sup> . . . . .</b> | <b>166,941</b>                           | <b>1.42</b>   | <b>158,469</b>    | <b>1.45</b>   | <b>146,003</b>   | <b>1.46</b>   |

Note:

(1) Non-performing loans refer to loans classified as substandard, doubtful and loss.

In accordance with IFRS 9, the Bank assesses expected credit losses (“ECL”) with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified into stage 1 and assets classified into stage 2 & 3 according to ECL of 12 months and ECL of the entire lifetime respectively. As at 31 December 2018, the Group's stage 1, stage 2 and stage 3 loans totalled RMB11,183.826 billion, RMB433.375 billion and RMB166.952 billion respectively, accounting for 94.90 per cent., 3.68 per cent. and 1.42 per cent. of total loans. For the year ended 31 December 2018, the Group's impairment losses on loans amounted to RMB107.905 billion, an increase of RMB23.880 billion compared with the year ended 31 December 2017. For the year ended 31 December 2018, credit cost accounted for 0.95 per cent., an increase of 0.14 percentage point compared with the year ended 31 December 2017.

The Bank continued to focus on controlling borrower concentration risk and was in full compliance with regulatory requirements on borrower concentration. The following table sets forth, as at the dates indicated, the impaired loans and advances of the Group categorised by geographical area:

|                                       | As at 31 December                                   |               |                     |                |               |                     |                |               |                     |
|---------------------------------------|---|---------------|---------------------|----------------|---------------|---------------------|----------------|---------------|---------------------|
|                                       | 2018  |               |                     | 2017           |               |                     | 2016           |               |                     |
|                                       | Amount  | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio |
|                                       | <i>(RMB million, except percentages and ratios)</i> |               |                     |                |               |                     |                |               |                     |
| Chinese mainland . . . . .            | 162,778   | 97.50         | 1.76                | 154,208        | 97.67         | 1.80                | 141,458        | 97.35         | 1.81                |
| Hong Kong, Macau and Taiwan . . . . . | 2,720   | 1.63          | 0.18                | 1,813          | 1.15          | 0.14                | 1,630          | 1.12          | 0.13                |
| Other countries and regions . . . . . | 1,454   | 0.87          | 0.15                | 1,861          | 1.18          | 0.19                | 2,223          | 1.53          | 0.24                |
| <b>Total . . . . .</b>                | <b>166,952</b>                                      | <b>100.00</b> | <b>1.42</b>         | <b>157,882</b> | <b>100.00</b> | <b>1.45</b>         | <b>145,311</b> | <b>100.00</b> | <b>1.46</b>         |

The following table sets forth, as at the dates indicated, the impaired loans and advances of the Group categorised by customer type:

|  | As at 31 December                                   |               |                     |                |               |                     |                |               |                     |
|--|---|---------------|---------------------|----------------|---------------|---------------------|----------------|---------------|---------------------|
|  | 2018  |               |                     | 2017           |               |                     | 2016           |               |                     |
|  | Amount  | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio |
|  | <i>(RMB million, except percentages and ratios)</i> |               |                     |                |               |                     |                |               |                     |
| Corporate loans and advances . . . . . | 139,108   | 83.32         | 1.89                | 129,959        | 82.31         | 1.86                | 116,314        | 80.04         | 1.77                |
| Personal loans . . . . .               | 27,844  | 16.68         | 0.63                | 27,923         | 17.69         | 0.71                | 28,997         | 19.96%        | 0.85                |
| <b>Total . . . . .</b>                 | <b>166,952</b>                                      | <b>100.00</b> | <b>1.42</b>         | <b>157,882</b> | <b>100.00</b> | <b>1.45</b>         | <b>145,311</b> | <b>100.00</b> | <b>1.46</b>         |

## Market Risk Management

The Group is exposed to market risks from its on-balance and off-balance business, that may cause losses to the Group as a result of adverse changes in market prices of interest rate, exchange rate, equities and commodities. Market risk arises from open positions in the trading and banking books. Both the Group's trading book and banking book face market risks. The trading book consists of positions in financial instruments and commodities that are held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book (including those financial instruments purchased with surplus funds and managed in the investment book).

The Board of Directors of the Group takes ultimate responsibility for the oversight of market risk management, including the approval of market risk management policies and procedures and the determination of market risk tolerance. Senior management is responsible for execution of such policies and ensuring that the level of market risk is within the risk appetite determined by the Board, while meeting the Group's business objectives.

Market risk management departments are responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Business units are responsible for monitoring and reporting of market risk within their respective business lines.

In response to changes in the market environment, business development and management requirements, the Bank continued to refine its market risk management system in order to strictly control market risk.

The Bank actively adapted to changes in its business and the market by improving its market risk appetite transmission mechanism and refining its model for the market risk limit management of the Group. To further improve counterparty credit risk management procedures of counterparties and improve its risk warning and mitigation capabilities, the Bank conducted forward-looking research and judgement regarding market risks and cross-financial risks. The Bank enhanced the accuracy of its risk management and improved its risk quantification capability by continuously advancing the construction of its market risk data mart and management system, and by studying and applying advanced risk measurement approaches.

The Bank strengthened risk management of the Group's bond investments by closely tracking market volatility and changes in regulatory policy. Based on the market and business needs, it has shortened its response time to risks and made timely adjustments and refinements to its investment policies. In response to high default rates in the bond market, the Bank has improved the effectiveness of risk inspections and strengthened risk management and control in major areas.

The Bank assessed the interest rate risk in its banking book mainly through analysis of interest rate re-pricing gaps, made timely adjustments to the structure of its assets and liabilities based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk ("VaR") limits, stress testing results and exposure limits and tracks each trading desk and dealer's observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOC International. The Bank, BOCHK (Holdings) and BOC International used a 99 per cent. level of confidence (therefore 1 per cent. statistical probability that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

Accuracy and reliability of the VaR model is verified by daily back-testing on the VaR results in the trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact on transaction market prices stemming from changes in market prices and volatility.

For the years ended 31 December 2018, 2017 and 2016, the VaR of the Bank's trading book by type of risk was as follows:

| <b>The Bank's VAR for Trading Book</b>               |  |              |              |  |              |              |  |              |             |
|--|--|--------------|--------------|--|--------------|--------------|--|--------------|-------------|
|  | <b>For the year ended<br/>31 December 2018</b> |              |              | <b>For the year ended<br/>31 December 2017</b> |              |              | <b>For the year ended<br/>31 December 2016</b> |              |             |
|  | <b>Average</b>                                 | <b>High</b>  | <b>Low</b>   | <b>Average</b>                                 | <b>High</b>  | <b>Low</b>   | <b>Average</b>                                 | <b>High</b>  | <b>Low</b>  |
|  | <i>(U.S.\$ million)</i>                        |              |              |  |              |              |  |              |             |
| Interest rate risk . . . . .                         | 17.26  | 23.85        | 12.24        | 14.54  | 17.58        | 9.61         | 10.24  | 16.45        | 6.59        |
| Foreign exchange risk . . . . .                      | 10.19  | 17.66        | 4.99         | 10.67  | 17.70        | 6.12         | 5.24   | 9.75         | 2.62        |
| Volatility risk . . . . .                            | 0.38   | 0.71         | 0.11         | 0.35   | 1.21         | 0.11         | 0.69   | 1.55         | 0.29        |
| Commodity risk . . . . .                             | 1.14   | 5.55         | 0.13         | 1.25   | 3.92         | 0.14         | 0.93   | 1.56         | 0.01        |
| <b>Total of the Bank's<br/>trading VaR . . . . .</b> | <b>19.87</b>                                   | <b>26.28</b> | <b>13.92</b> | <b>17.44</b>                                   | <b>23.89</b> | <b>12.43</b> | <b>10.31</b>                                   | <b>17.45</b> | <b>6.75</b> |

The banking book is exposed to interest rate risk arising from mismatches in maturities, repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group assesses interest rate risk in the banking book primarily through an interest rate repricing gap analysis.

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. The major subsidiary, BOCHK Group, conducts the majority of its business in HKD, RMB and USD. The Group endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches in accordance with management directives.

The Bank manages its exposure to currency exchange risk through management of its net foreign currency position and monitors its foreign currency risk on trading books using VaR.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2018, 2017 and 2016:

|   | As at 31 December 2018 |                  |                  |                |               |                |                |                   |
|---|------------------------|------------------|------------------|----------------|---------------|----------------|----------------|-------------------|
|   | RMB                    | USD              | HKD              | EURO           | JPY           | GBP            | Other          | Total             |
|   | (RMB million)          |                  |                  |                |               |                |                |                   |
| <b>Assets</b>   |                        |                  |                  |                |               |                |                |                   |
| Cash and due from banks and other financial institutions . . .                | 308,697                | 79,058           | 17,818           | 6,442          | 5,694         | 1,575          | 20,647         | 439,931           |
| Balances with central banks . . .   | 1,855,438              | 280,029          | 40,625           | 39,770         | 36,838        | 47,950         | 30,403         | 2,331,053         |
| Placements with and loans to banks and other financial institutions . . . . . | 878,861                | 93,903           | 30,994           | 7,636          | 3,094         | 283            | 27,587         | 1,042,358         |
| Derivative financial assets . . . .   | 67,601                 | 17,913           | 29,945           | 621            | 37            | 5,237          | 2,772          | 124,126           |
| Loans and advances to customers, net . . . . .                                | 8,830,692              | 1,146,207        | 923,070          | 201,731        | 12,637        | 65,563         | 335,864        | 11,515,764        |
| Financial investments   |                        |                  |                  |                |               |                |                |                   |
| • at fair value through profit or loss . . . . .                              | 238,495                | 56,988           | 72,981           | 2,011          | –             | 16             | –              | 370,491           |
| • at fair value through other comprehensive income . . .                      | 1,191,739              | 453,918          | 116,376          | 30,629         | 8,573         | 3,023          | 75,501         | 1,879,759         |
| • at amortised cost . . . . .   | 2,548,402              | 229,300          | 3,496            | 3,450          | 746           | 1,456          | 17,451         | 2,804,301         |
| Other. . . . .  | 213,438                | 148,481          | 185,113          | 568            | 1,244         | 2,097          | 208,551        | 759,492           |
| <b>Total assets . . . . .</b>   | <b>16,133,363</b>      | <b>2,505,797</b> | <b>1,420,418</b> | <b>292,858</b> | <b>68,863</b> | <b>127,200</b> | <b>718,776</b> | <b>21,267,275</b> |
| <b>Liabilities</b>  |                        |                  |                  |                |               |                |                |                   |
| Due to banks and other financial institutions . . . . .                       | 1,060,308              | 404,757          | 34,551           | 40,090         | 14,270        | 7,049          | 170,184        | 1,731,209         |
| Due to central banks . . . . .  | 628,327                | 246,540          | 26,758           | 5,461          | –             | 434            | 1              | 907,521           |
| Placements from banks and other financial institutions . . .                  | 266,692                | 271,303          | 39,642           | 12,669         | 11,242        | 5,411          | 5,308          | 612,267           |
| Derivative financial liabilities . .  | 50,554                 | 14,104           | 26,366           | 678            | 46            | 5,059          | 2,447          | 99,254            |
| Due to customers . . . . .  | 11,256,454             | 1,716,821        | 1,202,357        | 194,439        | 58,478        | 46,334         | 408,713        | 14,883,596        |
| Bonds issued . . . . .  | 447,679                | 252,059          | 6,682            | 48,465         | 1,852         | 9,793          | 15,597         | 782,127           |
| Other. . . . .  | 191,501                | 84,330           | 230,918          | 2,327          | 480           | 1,323          | 15,025         | 525,904           |
| <b>Total liabilities . . . . .</b>  | <b>13,901,515</b>      | <b>2,989,914</b> | <b>1,567,274</b> | <b>304,129</b> | <b>86,368</b> | <b>75,403</b>  | <b>617,275</b> | <b>19,541,878</b> |
| Net on-balance sheet position . .   | 2,231,848              | (484,117)        | (146,856)        | (11,271)       | (17,505)      | 51,797         | 101,501        | 1,725,397         |
| Net off-balance sheet position . .  | (795,575)              | 520,806          | 355,983          | 21,144         | 19,415        | (49,526)       | (40,626)       | 31,621            |
| Credit commitments. . . . .   | 2,715,693              | 794,823          | 223,494          | 111,092        | 10,425        | 44,054         | 93,430         | 3,993,011         |

## As at 31 December 2017

|   | <u>RMB</u>           | <u>USD</u>       | <u>HKD</u>       | <u>EURO</u>    | <u>JPY</u>     | <u>GBP</u>     | <u>Other</u>   | <u>Total</u>      |
|---|----------------------|------------------|------------------|----------------|----------------|----------------|----------------|-------------------|
|   | <i>(RMB million)</i> |                  |                  |                |                |                |                |                   |
| <b>Assets</b>   |                      |                  |                  |                |                |                |                |                   |
| Cash and due from banks and other financial institutions . . . . .            | 368,772              | 142,024          | 13,599           | 7,326          | 5,961          | 6,074          | 16,707         | 560,463           |
| Balances with central banks . . . . .   | 1,810,377            | 248,995          | 4,357            | 31,240         | 49,485         | 50,286         | 32,874         | 2,227,614         |
| Placements with and loans to banks and other financial institutions . . . . . | 388,211              | 114,812          | 23,750           | 9,034          | 2,462          | 90             | 37,040         | 575,399           |
| Financial assets at fair value through profit or loss . . . . .               | 109,406              | 55,073           | 26,513           | 1,133          | 1,043          | 429            | 14             | 193,611           |
| Derivative financial assets . . . . .   | 44,950               | 8,065            | 31,285           | 749            | 40             | 4,895          | 4,928          | 94,912            |
| Loans and advances to customers, net . . . . .                                | 8,101,830            | 1,157,714        | 794,625          | 217,660        | 7,962          | 50,856         | 313,657        | 10,644,304        |
| Financial investments   |                      |                  |                  |                |                |                |                |                   |
| • available for sale . . . . .  | 1,080,354            | 449,628          | 154,809          | 33,545         | 63,946         | 5,944          | 68,996         | 1,857,222         |
| • held to maturity . . . . .  | 1,935,833            | 138,678          | 3,627            | 1,693          | 696            | 1,196          | 8,141          | 2,089,864         |
| • loans and receivables . . . . .   | 405,080              | 1,960            | 419              | –              | –              | –              | 6,566          | 414,025           |
| Other . . . . .   | 298,863              | 135,600          | 175,535          | 1,354          | 1,102          | 1,546          | 196,010        | 810,010           |
| <b>Total assets</b> . . . . .   | <u>14,543,676</u>    | <u>2,452,549</u> | <u>1,228,519</u> | <u>303,734</u> | <u>132,697</u> | <u>121,316</u> | <u>684,933</u> | <u>19,467,424</u> |
| <b>Liabilities</b>  |                      |                  |                  |                |                |                |                |                   |
| Due to banks and other financial institutions . . . . .                       | 855,661              | 329,466          | 30,276           | 35,616         | 12,779         | 7,301          | 154,163        | 1,425,262         |
| Due to central banks . . . . .  | 779,483              | 231,585          | 16,865           | 4,514          | –              | 571            | 2,779          | 1,035,797         |
| Placements from banks and other financial institutions . . . . .              | 290,531              | 150,748          | 6,974            | 10,720         | 17,110         | 16,789         | 7,220          | 500,092           |
| Derivative financial liabilities . . . . .                                    | 70,458               | 1,690            | 30,131           | 800            | 35             | 4,932          | 3,049          | 111,095           |
| Due to customers . . . . .  | 10,236,329           | 1,614,422        | 1,079,702        | 192,313        | 64,989         | 55,956         | 414,213        | 13,657,924        |
| Bonds issued . . . . .  | 222,119              | 208,402          | 786              | 38,006         | –              | 20,318         | 9,497          | 499,128           |
| Other . . . . .   | 347,577              | 82,908           | 213,516          | 1,497          | 445            | 1,261          | 14,243         | 661,447           |
| <b>Total liabilities</b> . . . . .  | <u>12,802,158</u>    | <u>2,619,221</u> | <u>1,378,250</u> | <u>283,466</u> | <u>95,358</u>  | <u>107,128</u> | <u>605,164</u> | <u>17,890,745</u> |
| Net on-balance sheet position . . . . .                                       | 1,741,518            | (166,672)        | (149,731)        | 20,268         | 37,339         | 14,188         | 79,769         | 1,576,679         |
| Net off-balance sheet position . . . . .                                      | (420,313)            | 195,069          | 319,073          | (11,672)       | (36,371)       | (12,165)       | (40,135)       | (6,514)           |
| Credit commitments . . . . .  | <u>2,556,398</u>     | <u>811,938</u>   | <u>245,575</u>   | <u>107,154</u> | <u>10,050</u>  | <u>44,472</u>  | <u>95,045</u>  | <u>3,870,632</u>  |

## As at 31 December 2016

|   | RMB               | USD              | HKD              | EURO           | JPY            | GBP           | Other          | Total             |
|---|-------------------|------------------|------------------|----------------|----------------|---------------|----------------|-------------------|
|   | (RMB million)     |                  |                  |                |                |               |                |                   |
| <b>Assets</b>   |                   |                  |                  |                |                |               |                |                   |
| Cash and due from banks and other financial institutions . . .                | 498,095           | 107,735          | 14,324           | 6,477          | 15,944         | 1,700         | 15,707         | 659,982           |
| Balances with central banks . . .   | 1,807,526         | 340,513          | 4,510            | 32,245         | 21,640         | 33,772        | 31,434         | 2,271,640         |
| Placements with and loans to banks and other financial institutions . . . . . | 379,735           | 123,994          | 36,454           | 2,286          | 3,886          | 255           | 47,438         | 594,048           |
| Financial assets at fair value through profit or loss . . . . .               | 50,702            | 47,475           | 23,527           | 1,540          | 360            | 475           | 11             | 124,090           |
| Derivative financial assets . . . . .   | 56,291            | 4,507            | 52,945           | 695            | 286            | 12,085        | 3,740          | 130,549           |
| Loans and advances to customers, net . . . . .                                | 7,399,294         | 1,167,127        | 722,240          | 190,822        | 11,866         | 31,372        | 212,925        | 9,735,646         |
| Financial investments   |                   |                  |                  |                |                |               |                |                   |
| • available for sale . . . . .  | 894,034           | 416,315          | 125,060          | 22,604         | 87,159         | 7,609         | 57,049         | 1,609,830         |
| • held to maturity . . . . .  | 1,676,845         | 153,896          | 4,035            | 1,941          | 720            | 516           | 5,090          | 1,843,043         |
| • loans and receivables . . . . .   | 379,354           | 1,734            | 838              | –              | –              | –             | 13,995         | 395,921           |
| Assets held for sale . . . . .  | 10,556            | 8,860            | 29,185           | 229            | 78             | 224           | 1,239          | 50,371            |
| Other . . . . .   | 263,114           | 125,563          | 160,709          | 2,472          | 1,213          | 1,415         | 179,283        | 733,769           |
| <b>Total assets</b> . . . . .   | <b>13,415,546</b> | <b>2,497,719</b> | <b>1,173,827</b> | <b>261,311</b> | <b>143,152</b> | <b>89,423</b> | <b>567,911</b> | <b>18,148,889</b> |
| <b>Liabilities</b>  |                   |                  |                  |                |                |               |                |                   |
| Due to banks and other financial institutions . . . . .                       | 785,818           | 394,408          | 31,258           | 41,011         | 15,053         | 6,685         | 146,294        | 1,420,527         |
| Due to central banks . . . . .  | 610,339           | 242,546          | 9,931            | 2,448          | –              | 1,830         | –              | 867,094           |
| Placements from banks and other financial institutions . . .                  | 115,806           | 146,285          | 3,816            | 21,877         | 4,815          | 7,215         | 2,978          | 302,792           |
| Derivative financial liabilities . .  | 33,338            | 3,299            | 50,653           | 771            | 204            | 12,118        | 6,726          | 107,109           |
| Due to customers . . . . .  | 9,744,207         | 1,538,408        | 1,000,075        | 178,965        | 56,706         | 60,916        | 360,471        | 12,939,748        |
| Bonds issued . . . . .  | 202,744           | 137,355          | 1,287            | 14,709         | –              | 2,034         | 4,189          | 362,318           |
| Liabilities classified as held for sale . . . . .                             | 5,044             | 7,278            | 28,398           | 253            | 76             | 215           | 1,224          | 42,488            |
| Other . . . . .   | 341,041           | 71,241           | 186,466          | 2,482          | 1,398          | 1,415         | 15,678         | 619,721           |
| <b>Total liabilities</b> . . . . .  | <b>11,838,337</b> | <b>2,540,820</b> | <b>1,311,884</b> | <b>262,516</b> | <b>78,252</b>  | <b>92,428</b> | <b>537,560</b> | <b>16,661,797</b> |
| Net on-balance sheet position . .   | 1,577,209         | (43,101)         | (138,057)        | (1,205)        | 64,900         | (3,005)       | 30,351         | 1,487,092         |
| Net off-balance sheet position . .  | (313,211)         | 84,443           | 298,500          | 10,334         | (64,129)       | 4,699         | 2,668          | 23,304            |
| Credit commitments . . . . .  | 2,249,059         | 861,382          | 255,971          | 94,639         | 7,432          | 39,121        | 82,004         | 3,589,608         |

**Liquidity Risk Management**

Liquidity risk is the risk that the Bank fails to timely acquire adequate funds at a reasonable cost to deal with repayments of debts at maturity, perform other payment obligations and meet other fund needs for normal business operation.

The Bank continued to develop and improve its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and the group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

The Bank considers liquidity risk management a significant component of asset-liability management, and determines the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Bank establishes its liquidity portfolio to mitigate liquidity risk, and to minimise the gaps in the amount and duration between the funding sources and the uses of funds. The Group refines its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Group prioritises the development of customer deposits, dynamically adjusts the structure of fund sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and improves the diversity and stability of financing sources.

Seeking at all times to balance safety, liquidity and profitability, and following regulatory requirements, the Bank has improved its liquidity risk management system and upgraded its liquidity management function in a forward-looking and scientific manner. The Bank enhanced liquidity risk management at both Group and branch levels. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined the liquidity risk limit, upgraded the early warning system for liquidity risk and strengthened the management of high-quality liquid assets, such as bond investments, in order to strike a balance between risk and return. In addition, the Bank regularly improved the liquidity stress-testing plan and performed stress tests on a quarterly basis. The results of stress testing showed that the Bank had adequate payment capability to address distressed scenarios.

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date:

| As at 31 December 2018  |                  |                      |                              |                               |                             |                  |                  |                   |
|---|------------------|----------------------|------------------------------|-------------------------------|-----------------------------|------------------|------------------|-------------------|
| Overdue/<br>Undated   | On<br>demand     | Less than<br>1 month | Between<br>1 and 3<br>months | Between<br>3 and 12<br>months | Between<br>1 and 5<br>years | Over<br>5 years  | Total            |                   |
| <i>(RMB million)</i>  |                  |                      |                              |                               |                             |                  |                  |                   |
| <b>Assets</b>   |                  |                      |                              |                               |                             |                  |                  |                   |
| Cash and due from banks and other financial institutions . . .                | 21               | 178,645              | 110,908                      | 30,365                        | 116,636                     | 3,356            | –                | 439,931           |
| Balances with central banks . . .   | 1,588,770        | 511,244              | 216,281                      | 2,087                         | 12,329                      | 342              | –                | 2,331,053         |
| Placements with and loans to banks and other financial institutions . . . . . | 44               | –                    | 659,399                      | 92,855                        | 231,633                     | 58,427           | –                | 1,042,358         |
| Derivative financial assets . . . .   | –                | 10,055               | 22,259                       | 30,528                        | 38,686                      | 18,634           | 3,964            | 124,126           |
| Loans and advances to customers, net . . . . .                                | 69,539           | 154,707              | 397,574                      | 1,086,838                     | 2,478,055                   | 3,036,778        | 4,292,273        | 11,515,764        |
| Financial investments   |                  |                      |                              |                               |                             |                  |                  |                   |
| • financial assets at fair value through profit or loss . . . .               | 93,524           | –                    | 16,772                       | 32,788                        | 71,133                      | 52,863           | 103,411          | 370,491           |
| • financial assets at fair value through other comprehensive income . . .     | 16,456           | –                    | 71,630                       | 120,021                       | 428,041                     | 870,105          | 373,506          | 1,879,759         |
| • financial assets at amortised cost . . . . .                                | 2,001            | –                    | 15,328                       | 78,810                        | 306,782                     | 1,623,516        | 777,864          | 2,804,301         |
| Other . . . . .   | 301,633          | 338,223              | 22,683                       | 7,554                         | 18,968                      | 50,792           | 19,639           | 759,492           |
| <b>Total assets</b> . . . . .   | <b>2,071,988</b> | <b>1,192,874</b>     | <b>1,532,834</b>             | <b>1,481,846</b>              | <b>3,702,263</b>            | <b>5,714,813</b> | <b>5,570,657</b> | <b>21,267,275</b> |
| <b>Liabilities</b>  |                  |                      |                              |                               |                             |                  |                  |                   |
| Due to banks and other financial institutions . . . . .                       | –                | 1,038,168            | 143,392                      | 314,126                       | 186,252                     | 49,271           | –                | 1,731,209         |
| Due to central banks . . . . .  | –                | 172,280              | 104,114                      | 157,466                       | 465,590                     | 8,071            | –                | 907,521           |
| Placements from banks and other financial institutions . . .                  | –                | –                    | 429,492                      | 123,223                       | 58,135                      | 1,417            | –                | 612,267           |
| Derivative financial liabilities . .  | –                | 7,314                | 19,861                       | 18,267                        | 33,305                      | 17,434           | 3,073            | 99,254            |
| Due to customers . . . . .  | –                | 7,368,721            | 1,405,144                    | 1,349,078                     | 2,740,128                   | 2,010,860        | 9,665            | 14,883,596        |
| Bonds issued . . . . .  | –                | –                    | 45,983                       | 99,061                        | 196,535                     | 323,057          | 117,491          | 782,127           |
| Other . . . . .   | –                | 276,288              | 36,307                       | 12,145                        | 76,623                      | 66,329           | 58,212           | 525,904           |
| <b>Total liabilities</b> . . . . .  | <b>–</b>         | <b>8,862,771</b>     | <b>2,184,293</b>             | <b>2,073,366</b>              | <b>3,756,568</b>            | <b>2,476,439</b> | <b>188,441</b>   | <b>19,541,878</b> |
| <b>Net liquidity gap</b> . . . . .  | <b>2,071,988</b> | <b>(7,669,897)</b>   | <b>(651,459)</b>             | <b>(591,520)</b>              | <b>(54,305)</b>             | <b>3,238,374</b> | <b>5,382,216</b> | <b>1,725,397</b>  |

## As at 31 December 2017

|   | Overdue/<br>Undated  | On<br>demand       | Less than<br>1 month | Between<br>1 and 3<br>months | Between<br>3 and 12<br>months | Between<br>1 and 5<br>years | Over<br>5 years  | Total             |
|---|----------------------|--------------------|----------------------|------------------------------|-------------------------------|-----------------------------|------------------|-------------------|
|   | <i>(RMB million)</i> |                    |                      |                              |                               |                             |                  |                   |
| <b>Assets</b>   |                      |                    |                      |                              |                               |                             |                  |                   |
| Cash and due from banks and<br>other financial institutions . . .                   | 21                   | 167,943            | 168,678              | 74,565                       | 147,376                       | 1,880                       | –                | 560,463           |
| Balances with central banks . . .   | 1,754,965            | 429,424            | 15,003               | 6,735                        | 21,487                        | –                           | –                | 2,227,614         |
| Placements with and loans to<br>banks and other financial<br>institutions . . . . . | –                    | –                  | 186,151              | 90,770                       | 213,567                       | 84,854                      | 57               | 575,399           |
| Derivative financial assets . . . .   | –                    | 8,791              | 16,222               | 19,854                       | 36,575                        | 10,449                      | 3,021            | 94,912            |
| Loans and advances to<br>customers, net . . . . .                                   | 75,194               | 109,153            | 356,974              | 1,042,606                    | 2,569,551                     | 2,797,082                   | 3,693,744        | 10,644,304        |
| Financial investments   |                      |                    |                      |                              |                               |                             |                  |                   |
| • Financial assets at fair<br>value through profit<br>or loss . . . . .             | 19,853               | –                  | 18,738               | 42,528                       | 54,336                        | 25,002                      | 33,154           | 193,611           |
| • available for sale . . . . .  | 85,346               | –                  | 74,857               | 117,797                      | 314,233                       | 839,773                     | 425,216          | 1,857,222         |
| • held to maturity . . . . .  | –                    | –                  | 26,361               | 43,894                       | 189,622                       | 1,242,694                   | 587,293          | 2,089,864         |
| • loans and receivables . . . . .   | 2,399                | –                  | 4,659                | 2,981                        | 10,749                        | 252,602                     | 140,635          | 414,025           |
| Other. . . . .  | 276,194              | 301,560            | 46,920               | 42,772                       | 65,593                        | 58,666                      | 18,305           | 810,010           |
| <b>Total assets</b> . . . . .   | <b>2,213,972</b>     | <b>1,016,871</b>   | <b>914,563</b>       | <b>1,484,502</b>             | <b>3,623,089</b>              | <b>5,313,002</b>            | <b>4,901,425</b> | <b>19,467,424</b> |
| <b>Liabilities</b>  |                      |                    |                      |                              |                               |                             |                  |                   |
| Due to banks and other<br>financial institutions . . . . .                          | –                    | 804,976            | 188,365              | 204,621                      | 156,040                       | 71,260                      | –                | 1,425,262         |
| Due to central banks . . . . .  | –                    | 180,088            | 205,278              | 131,064                      | 510,280                       | 9,087                       | –                | 1,035,797         |
| Placements from banks and<br>other financial institutions . . .                     | –                    | –                  | 375,004              | 74,776                       | 49,871                        | 441                         | –                | 500,092           |
| Derivative financial liabilities . .  | –                    | 5,574              | 19,442               | 25,130                       | 49,274                        | 9,323                       | 2,352            | 111,095           |
| Due to customers . . . . .  | –                    | 6,664,703          | 1,413,948            | 1,287,316                    | 2,493,635                     | 1,758,935                   | 39,387           | 13,657,924        |
| Bonds issued . . . . .  | –                    | –                  | 45,773               | 41,671                       | 42,755                        | 333,211                     | 35,718           | 499,128           |
| Other. . . . .  | –                    | 241,472            | 95,985               | 32,134                       | 157,326                       | 79,793                      | 54,737           | 661,447           |
| <b>Total liabilities</b> . . . . .  | <b>–</b>             | <b>7,896,813</b>   | <b>2,343,795</b>     | <b>1,796,712</b>             | <b>3,459,181</b>              | <b>2,262,050</b>            | <b>132,194</b>   | <b>17,890,745</b> |
| <b>Net liquidity gap</b> . . . . .  | <b>2,213,972</b>     | <b>(6,879,942)</b> | <b>(1,429,232)</b>   | <b>(312,210)</b>             | <b>163,908</b>                | <b>3,050,952</b>            | <b>4,769,231</b> | <b>1,576,679</b>  |



## As at 31 December 2016

|   | Overdue/<br>Undated | On<br>demand       | Less than<br>1 month | Between<br>1 and 3<br>months | Between<br>3 and 12<br>months | Between<br>1 and 5<br>years | Over<br>5 years  | Total             |
|---|---------------------|--------------------|----------------------|------------------------------|-------------------------------|-----------------------------|------------------|-------------------|
| <i>(RMB million)</i>  |                     |                    |                      |                              |                               |                             |                  |                   |
| <b>Assets</b>   |                     |                    |                      |                              |                               |                             |                  |                   |
| Cash and due from banks and<br>other financial institutions . . . . .               | 22                  | 171,837            | 84,034               | 223,847                      | 178,222                       | 2,020                       | –                | 659,982           |
| Balances with central banks . . . . .   | 1,743,459           | 448,607            | 16,841               | 15,383                       | 46,569                        | 781                         | –                | 2,271,640         |
| Placements with and loans to<br>banks and other financial<br>institutions . . . . . | –                   | –                  | 229,651              | 106,802                      | 229,002                       | 28,593                      | –                | 594,048           |
| Derivative financial assets . . . . .   | –                   | 13,239             | 15,745               | 23,369                       | 62,855                        | 12,310                      | 3,031            | 130,549           |
| Loans and advances to<br>customers, net . . . . .                                   | 52,413              | 82,783             | 410,546              | 1,002,740                    | 2,208,527                     | 2,555,287                   | 3,423,350        | 9,735,646         |
| Financial investments   |                     |                    |                      |                              |                               |                             |                  |                   |
| • Financial assets at fair<br>value through profit<br>or loss . . . . .             | 11,896              | –                  | 8,783                | 18,065                       | 28,217                        | 25,495                      | 31,634           | 124,090           |
| • available for sale . . . . .  | 56,897              | –                  | 45,239               | 131,697                      | 256,484                       | 718,220                     | 401,293          | 1,609,830         |
| • held to maturity . . . . .  | –                   | –                  | 10,623               | 45,020                       | 212,939                       | 983,275                     | 591,186          | 1,843,043         |
| • loans and receivables . . . . .   | 1,378               | –                  | 4,291                | 14,221                       | 14,073                        | 234,830                     | 127,128          | 395,921           |
| Assets held for sale . . . . .  | 6,652               | 4,144              | 5,432                | 4,143                        | 8,722                         | 16,193                      | 5,085            | 50,371            |
| Other . . . . .   | 259,332             | 301,848            | 36,294               | 30,690                       | 45,714                        | 42,247                      | 17,644           | 733,769           |
| <b>Total assets</b> . . . . .   | <b>2,132,049</b>    | <b>1,022,458</b>   | <b>867,479</b>       | <b>1,615,977</b>             | <b>3,291,324</b>              | <b>4,619,251</b>            | <b>4,600,351</b> | <b>18,148,889</b> |
| <b>Liabilities</b>  |                     |                    |                      |                              |                               |                             |                  |                   |
| Due to banks and other<br>financial institutions . . . . .                          | –                   | 891,046            | 166,691              | 96,552                       | 180,941                       | 85,297                      | –                | 1,420,527         |
| Due to central banks . . . . .  | –                   | 170,646            | 172,626              | 131,312                      | 380,647                       | 11,863                      | –                | 867,094           |
| Placements from banks and<br>other financial institutions . . . . .                 | –                   | –                  | 178,624              | 62,562                       | 61,150                        | 149                         | 307              | 302,792           |
| Derivative financial liabilities . . . . .  | –                   | 9,443              | 11,081               | 21,432                       | 49,358                        | 12,953                      | 2,842            | 107,109           |
| Due to customers . . . . .  | –                   | 6,208,198          | 1,355,804            | 1,319,746                    | 2,380,204                     | 1,652,646                   | 23,150           | 12,939,748        |
| Bonds issued . . . . .  | –                   | –                  | 19,669               | 16,851                       | 57,014                        | 214,169                     | 54,615           | 362,318           |
| Liabilities classified as<br>held for sale . . . . .                                | –                   | 21,680             | 6,882                | 6,679                        | 6,428                         | 819                         | –                | 42,488            |
| Other . . . . .   | –                   | 223,724            | 87,018               | 34,244                       | 136,457                       | 80,010                      | 58,268           | 619,721           |
| <b>Total liabilities</b> . . . . .  | <b>–</b>            | <b>7,524,737</b>   | <b>1,998,395</b>     | <b>1,689,378</b>             | <b>3,252,199</b>              | <b>2,057,906</b>            | <b>139,182</b>   | <b>16,661,797</b> |
| <b>Net liquidity gap</b> . . . . .  | <b>2,132,049</b>    | <b>(6,502,279)</b> | <b>(1,130,916)</b>   | <b>(73,401)</b>              | <b>39,125</b>                 | <b>2,561,345</b>            | <b>4,461,169</b> | <b>1,487,092</b>  |

## Regulatory Ratios on Liquidity

As at 31 December 2018, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio as at 31 December 2018, 2017 and 2016 is shown in the table below (in accordance with relevant provisions of domestic regulatory authorities):

| <b>Indicator</b>                                | <b>Regulatory standard</b> | <b>As at 31 December 2018</b> | <b>As at 31 December 2017</b> | <b>As at 31 December 2016</b> |
|---|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Liquidity ratio <sup>(1)(2)</sup> . . . . . RMB | ≥25                        | 58.7                          | 47.1                          | 45.6                          |
| Foreign Currency                                | ≥25                        | 54.8                          | 56.9                          | 52.7                          |

### Notes:

- (1) Liquidity ratio is the indicator of the Group's liquidity; excess reserve ratio and inter-bank ratio are the indicators of liquidity for the Bank's domestic operations.
- (2) Liquidity ratio = current assets/current liabilities. Liquidity ratio is calculated in accordance with the relevant provisions PBOC and CBIRC.

## Reputational Risk Management

The Bank fully implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance the reputational risk management level of the Group. It attached greater importance to the investigation and pre-warning of potential reputational risk factors and further strengthened routine public opinion monitoring, conducted reputational risk identification, assessment and reporting, established a coordination mechanism between reputational risk management departments and liable departments and dealt appropriately with reputational risk events, thus effectively maintaining the brand reputation of the Group. In addition, the Bank continued to roll out training sessions on reputational risk, so as to enhance employees' awareness of reputational risk and foster the Group's culture of reputational risk management.

## Internal Control and Operational Risk Management

### Internal Control

The Bank's Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision, emphasising early risk warning and prevention so as to improve the compliance management of the Group.

The Bank continued to implement the "three lines of defence" mechanism for internal control. The first line of defence consists of business departments and all banking outlets. They are the owners of, and are accountable for, local risks and controls. They undertake self-control risk management functions in the course of their business operations, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the organisation of rectification measures.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for overall planning, implementing, examining and assessing risk management and internal control. They are also responsible for identifying, measuring, monitoring and controlling risks. They led the first line of defence to enhance the use of the Group's operational risk monitoring and analysis platform. Through regular monitoring of material risks, the Bank identified and mitigated risks in a timely manner and promoted the optimisation of business processes and systems.

The third line of defence rests with the audit and inspection departments of the Bank. The audit department is responsible for performing internal audit of the Bank's internal control and risk management in respect of its adequacy and effectiveness. The inspection department is responsible for staff non-compliance sanction, investigation of cases and management accountability. The Bank continuously strengthened education and raised employees' awareness of moral hazards. It reinforced employee behaviour management, seriously investigated internal fraud cases and strictly pursued accountability according to the basic principles of "inquiry of four accountable subjects into one case", "both institutional and business-line management accountability" and "management two levels higher than the branch-outlet accountable where serious fraud occurs". The Bank continued to push forward the implementation of the reform of its human resource management system for the audit line, and further intensified the vertical management of its audit function. It enhanced team building and deepened IT application in audit and the use of IT-based audit approaches. Taking an issue-oriented approach, the Bank focused on the comprehensive audit of institutions and special audits of businesses, strengthened audits and inspections of the high-risk institutions and businesses, as well as on fields under the Group's control priorities and those of special concern to regulators. The Bank concentrated attention on matters of systemic importance, emerging trends and concerning tendencies, so as to practically perform its internal audit function. It re-examined and optimised rectification procedures in order to improve rectification quality and efficiency, urged the effective rectification of audit findings, and thereby continually improved the Bank's internal governance and control mechanism.

Rigorously implementing the requirements of the CBIRC regarding further rectification of market disruption in the banking sector, the Bank organised bank-wide risk inspections to actively identify and mitigate risks. It launched a staff compliance archive system to reinforce behaviour management and foster a compliance culture. In addition, the Bank developed an internal control and compliance management evaluation system so as to enhance the routine management and control of its branches.

The Bank continued to implement the Basic Standard for Enterprise Internal Control and its supporting guidelines, adhering to the primary goal of ensuring the effectiveness of its internal control over financial reporting and the accuracy of its financial information. The Bank also implemented the Guidelines for Internal Control of Commercial Banks by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by a reasonable division of work, well-defined responsibilities and clear reporting relationships.

The Bank established and implemented a systematic financial accounting policy system in accordance with the relevant accounting laws and regulations. Accordingly, the level of standardisation and refinement of its financial accounting management was further improved. The Bank has endeavoured to further the qualification of accounting groundwork and establish the long-term accounting management mechanism since 2018. It continuously strengthened the quality management of its accounting information, so as to ensure the internal control effectiveness over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In 2018, the Bank succeeded in preventing 229 external cases involving RMB180 million.

### ***Operational Risk Management***

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., to identify, assess and monitor operational risks, thus continuously improving its risk management measures. The Bank enhanced its system support capability by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism to enhance its business operating sustainability, carried out disaster recovery drills and improved the Group's capacity for continuous business operation.

## **Compliance Management**

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable and sound development and sustainable operation of the Group. It strengthened the construction of the anti-money-laundering (“AML”) system, integrated resources for monitoring and analysis, and refined the AML policies and rules system. It pushed forward system and model building and improved the system functions. The Bank reinforced sanction compliance management. It made timely amendments to sanction compliance policies, improved sanction procedures and standardised list maintenance, due diligence, judgment, handling and strengthened sanctions compliance monitoring and management. It drove forward overseas compliance management and improved its cross-border compliance management system by tracking global regulatory trends, regulatory inspection and evaluation as well as other compliance risk information in a timely manner, by implementing the requirements of regulators, and by improving its overseas compliance management capabilities. It delivered the All Employee AML Training Plan by conducting various forms of AML training, so as to enhance all employees’ compliance awareness and abilities.

The Bank enhanced the management of its connected transactions and internal transactions. It stepped up efforts in the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the routine monitoring and examination of connected transactions and strictly controlled their risks. In addition, it continuously implemented internal transaction monitoring and reporting, guided and standardised the operation mechanism for internal transaction verification, and initiated the construction of an internal transaction management system, thereby improving the technological capabilities of its internal transaction management.

## **Capital Management**

Adhering to the principle of value creation, the Bank formulated the *2017-2020 Capital Management Plan of Bank of China*, which was approved at the 2017 Annual General Meeting of the Bank. It consistently strengthened its capital management to ensure bank-wide capital sufficiency and a relatively strong risk mitigation capability, thus further improving its capital efficiencies and value creation capabilities.

In 2018, the Bank preserved in pursuing the concept of high-quality development and heightened awareness of value creation. It improved its capital budget allocation mechanism, established a remuneration allocation system linked to value creation, and strengthened the management of capital assessment. It optimised its on-balance sheet and off-balance sheet asset structures, developed capital-light businesses, reduced the risk weighting of capital and reasonably controlled increases in off-balance sheet risk assets, so as to enhance value contribution. The Bank replenished its capital via external financing in a proactive and prudent manner. It successfully issued a total of RMB80.0 billion of tier 2 capital bonds in the domestic market, which effectively increased its capital adequacy. As at 31 December 2018, the Bank’s capital adequacy ratio had significantly increased, further consolidated its capital base. The Bank will continue to optimise its capital management, promote high-quality development of all of its businesses and constantly create value for shareholders.

The capital adequacy ratios as at 31 December 2018, 2017 and 2016 separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Regulation Governing Capital Adequacy of Commercial Banks* are listed below:

| Items   | Group                        |                              |                              | Bank                         |                              |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   | As at<br>31 December<br>2018 | As at<br>31 December<br>2017 | As at<br>31 December<br>2016 | As at<br>31 December<br>2018 | As at<br>31 December<br>2017 | As at<br>31 December<br>2016 |
| <b>Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i></b>          |                              |                              |                              |                              |                              |                              |
| <i>(RMB million, except percentages)</i>  |                              |                              |                              |                              |                              |                              |
| Net common equity tier 1 capital . . .  | 1,465,769                    | 1,356,088                    | 1,280,841                    | 1,251,056                    | 1,180,299                    | 1,106,112                    |
| Net tier 1 capital . . . . .  | 1,575,293                    | 1,461,090                    | 1,384,364                    | 1,350,770                    | 1,280,013                    | 1,205,826                    |
| Net capital . . . . .   | 1,922,350                    | 1,725,330                    | 1,609,537                    | 1,683,893                    | 1,526,537                    | 1,414,052                    |
| Common equity tier 1 capital<br>adequacy ratio . . . . .  | 11.41%                       | 11.15%                       | 11.37%                       | 11.08%                       | 10.85%                       | 10.98%                       |
| Tier 1 capital adequacy ratio . . . . .   | 12.27%                       | 12.02%                       | 12.28%                       | 11.96%                       | 11.77%                       | 11.96%                       |
| Capital adequacy ratio . . . . .  | 14.97%                       | 14.19%                       | 14.28%                       | 14.92%                       | 14.04%                       | 14.03%                       |
| <b>Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i></b> |                              |                              |                              |                              |                              |                              |
| Core capital adequacy ratio . . . . .   | 11.63%                       | 11.69%                       | 11.77%                       | 10.96%                       | 11.39%                       | 11.65%                       |
| Capital adequacy ratio . . . . .  | 15.01%                       | 14.56%                       | 14.67%                       | 14.53%                       | 14.36%                       | 14.50%                       |

## Corporate Social Responsibilities

In 2018, the Bank assumed its responsibilities as a state-owned commercial bank for serving the real economy, developing inclusive finance, improving people's livelihood and supporting poverty alleviation. The Bank continually expanded and deepened its practices in fulfilling social responsibilities, devoted itself to win-win cooperation with stakeholders and created lasting value for the economy, society and environment.

### *Responsibility to the country*

The Bank continuously supported the construction of the Belt and Road. As at 31 December 2018, the Bank followed up on over 600 major projects along the Belt and Road with a total investment of approximately USD455 billion and established additional credit lines totalling USD30.7 billion for countries along the Belt and Road. In support of the country's major regional strategies, its balance of loans to the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt, the Pearl River Delta and the Hainan Free Trade Zone rose by 15.1%. The Bank continued to improve its credit structure by allocating more credit resources to major industries. Its balance of credit to strategic emerging industries stood at RMB447 billion. The Bank issued the Twenty Provisions on Supporting Private Enterprises, strengthened credit extension to high-quality private enterprises and micro, small and medium-sized businesses and provided private enterprises with broader access to financing. Its balance of credit to private enterprises exceeded RMB1.5 trillion. The Bank continuously improved its inclusive finance service network and promoted business innovation in inclusive finance. Its balance of loans for inclusive finance grew by 12.26%. BOC Fullerton Community Bank successfully acquired 27 rural banks from CCB and established 127 banking corporations in 22 provinces (or municipalities) across the country, further expanding the Bank's service network for small and micro businesses, agriculture, rural areas and farmers. The Bank provided all-round financial services for the first China International Import Expo (CIIE) and held the Exhibitor-Businessman Supply-Demand Matchmaking Conference, at which USD4.74 billion worth of cooperation intentions were reached. The Bank also vigorously supported construction projects related to the Beijing 2022 Olympic Winter Games and issued the Guidelines for Development of the Winter Sports Industry. The Bank will continue to provide credit support from 2018 to 2024 to promote winter sports and develop the industry, helping 30 million families and 100 million people to get involved in winter sports.

### ***Responsibility to shareholders***

The Bank continued to improve its corporate governance capability and effectively protected shareholders' right to be informed, to participate and to make decisions. It kept improving its operation mechanisms of the Board of Directors, information disclosure and stakeholder engagement. The Bank strictly performed its mission to prevent risks, enhanced its risk management capability and market competitiveness and stepped up efforts in credit risk prevention and control and disposal of non-performing assets. During the year, its domestic branches took the initiative to reduce RMB99.4 billion of potential exposure and cut non-performing assets by RMB152.5 billion. As at 31 December 2018, the Bank's total assets reached RMB21.27 trillion. Fitch and Moody's upgraded the Bank in terms of Viability Rating/Baseline Credit Assessment. Standard & Poor's, Moody's and Fitch all affirmed the Bank's ratings at the highest level among major peers. Moreover, the Bank ranked 46th among the "Fortune Global 500" by FORTUNE, 3rd in the "Top 1,000 World Banks" by The Banker and 13th in the "2018 Hurun Brand List" by Hurun Research Institute with a brand value of RMB130.0 billion.

### ***Responsibility to customers***

The Bank further expanded its cross-border financial services worldwide, strengthened its integrated global development and gave full play to its unique strengths. It has now set up subsidiaries in 57 countries and regions outside the Chinese mainland, maintaining its position as the global leader in cross-border RMB clearing and settlement. The Bank pursued digital transformation by enabling advancement through technology and made continuous improvements to its financial service capability and to the customer experience. It continuously optimised its mobile banking functions, doubling both the number of active users and mobile banking transaction volumes. Its overseas mobile banking services now covered 18 countries and regions. The Bank pressed forward with the building of its smart outlet service system, with smart counters now adopted at all outlets. The mobile smart counters were promoted to break through physical boundaries and provide customers with a convenient mobile service experience. Door-to-door corporate account opening service was launched to shorten the business process to 30 minutes. It also introduced a cash version of smart counters, which effectively diverted 70% of outlets' cash transactions.

### ***Responsibility to employees***

The Bank fully guaranteed its employees' legitimate rights and interests, including democratic rights, by holding the Employee Delegates' Meeting, fostering employees' sense of ownership and unleashing their initiative and creativity. The Bank formulated and implemented its talent development plan and training plan and continuously attracted young talent through global campus recruitment. As a result, it has topped the "Best Employer in Financial Industry in the Opinion of Chinese University Students" ranking organised by ChinaHR.com for 11 consecutive years. The Bank strengthened the training of employees and management personnel. Over 100 excellent middle and senior management personnel were trained through the "1581 Programme", the "Hundred-Talent Programme" and the "Sailing Programme". In addition, the Bank improved its work processes to enhance employees' work-life balance and held various forms of events that demonstrated care for employees.

### ***Responsibility to the society***

In 2018, the Bank undertook a variety of measures to explore financial solutions for poverty alleviation, in a bid to implement the decisions and plans of the country for poverty alleviation through finance. It raised the bank-wide motivation for poverty alleviation loans and allocated more credit resources to poverty alleviation by developing a separate credit plan, introducing the due diligence and liability exemption guidelines for poverty alleviation and strengthening related internal appraisal and incentive. It also supported the infrastructure, livelihood development and industrial poverty alleviation programmes in poverty-stricken areas. At the end of 2018, the Bank's poverty alleviation loans registered RMB62.4 billion, an increase of RMB11.5 billion or 23% compared with the prior year-end. It established 23 new outlets established in state-level impoverished counties and 8 new outlets established in the deeply impoverished "three regions, three prefectures", improving its ability of fighting against poverty through financial means. In addition, by leveraging its distinctive features, the Bank pushed forward the work related to agriculture, rural areas and farmers, established close cooperation with land reclamation enterprises in main production areas, and boosted the scale production and intensive development of important agricultural products including grain, cotton, natural rubber and oil plants. At the end of 2018, the Bank granted agriculture-related loans of RMB1.29 trillion.

The Bank strengthened funding and assistance towards the goal of targeted poverty alleviation in designated impoverished regions, with a focus on industrial poverty alleviation, people's livelihood and areas of extreme poverty. It helped obtain over RMB300 million to fund the training of over 20,000 financially underprivileged people, which directly benefited nearly 200,000 members of the registered poverty-stricken population and lifted more than 90,000 people out of poverty. In 2018, the Bank donated RMB75.09 million, an increase of 36% compared with the prior year, to Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang, Shaanxi Province, in order to support 112 local projects related to industrial development, education and training, health and eldercare and the building of primary-level Party organisations.

The Bank extended government-sponsored student loans for the 19th consecutive year and has now accumulatively granted RMB23.539 billion for over 1.8 million financially underprivileged students. In addition, the Bank recruited 291 financially-disadvantaged college students in 2018 under its separate "Financially Underprivileged Students Recruitment Plan" for campus recruitment. It sponsored the Chinese Spring Festival celebration in Trafalgar Square in London, the largest celebration outside Asia, for the 18th consecutive year. It also sponsored the Tan Kah Kee Science Award for the 15th consecutive year, rewarding young people devoting themselves to the country's scientific and technological advancement. For the 10th consecutive year, the Bank conducted strategic cooperation with the National Center for the Performing Arts to support the development of high-end arts in China. It continued to support poverty alleviation programmes in Xinjiang for the 5th consecutive year.

### ***Responsibility to the environment***

The Bank spared no effort to develop green finance. It accelerated further innovation in green finance products and channelled credit resources into energy conservation, environmental protection, clean energy and eco-manufacturing. It assisted enterprises in expanding financing channels with green bonds and unleashed the positive role of green finance in enhancing ecological conservation and economic sustainability. In 2018, the Bank successfully issued the Sustainability Bond, the first of its kind to be issued by a Chinese bank in the overseas markets. At the end of 2018, its balance of green bonds was RMB632.667 billion, an increase of 17.42% compared with the prior year. The Bank established an energy management system and managed to reduce energy consumption by formulating water and electricity consumption criteria, strengthening day-to-day management and monitoring the functioning of energy-intensive equipment. Its office buildings have achieved a domestically advanced level in energy efficiency.

The Bank's fulfilment of its social responsibilities was widely recognised by the society. In 2018, it won awards including "Most Socially Responsible Financial Institution in 2018", "Most Socially Responsible Outlet with Special Contribution in 2018", "Best Social Responsibility Manager in 2018" from the China Banking Association, "Most Socially Responsible State-owned Listed Company" from the Southern Weekly and "Most Socially Responsible Listed Company – Dividend Distribution" from the Securities Daily.

## DESCRIPTION OF THE GROUP'S ASSETS AND LIABILITIES

The following discussions and analysis should be read in conjunction with the Bank's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018, which have been incorporated by reference into this Offering Circular. The Bank's consolidated financial statements have been prepared in accordance with IFRS. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.

### Analysis of Loans and Advances to Customers

The following table sets out an analysis of the Group's loans and advances to customers as at 31 December 2018.

|  | <b>As at<br/>31 December<br/>2018</b><br><i>(RMB million)</i> |
|--|---|
| <b>Measured at amortised cost</b>                                |   |
| – Corporate loans and advances . . . . .                         | 7,117,954   |
| – Personal loans . . . . .                                       | 4,440,085   |
| – Discounted bills . . . . .                                     | <u>2,001</u>  |
| <b>Measured at fair value through other comprehensive income</b> |   |
| – Discounted bills . . . . .                                     | <u>224,113</u>  |
| Subtotal . . . . .   | <u>11,784,153</u>   |
| <b>Measured at fair value through profit or loss</b>             |   |
| – Corporate loans and advances . . . . .                         | <u>3,530</u>  |
| Total . . . . .  | <u>11,787,683</u>   |
| Accrued Interest . . . . .                                       | <u>31,589</u>   |
| Total loans and advances . . . . .                               | <u>11,819,272</u>   |
| Allowance for loans at amortised cost . . . . .                  | <u>(303,508)</u>  |
| Loans and advances to customers, net . . . . .                   | <u><u>11,515,764</u></u>                                      |



The following table sets out analysis of the Group's loans and advances to customers as at the years ended 31 December 2017 and 31 December 2016.

|   | <b>As at 31 December</b> |                  |
|---|--------------------------|------------------|
|   | <b>2017</b>              | <b>2016</b>      |
|   | <i>(RMB million)</i>     |                  |
| <b>Corporate loans and advances</b>                         |                          |                  |
| – Loans and advances . . . . .                              | 6,792,502                | 6,270,728        |
| – Discounted bills . . . . .                                | 180,199                  | 298,241          |
| Subtotal . . . . .  | <u>6,972,701</u>         | <u>6,568,969</u> |
| <b>Personal loans</b>                                       |                          |                  |
| – Mortgages . . . . .                                       | 3,061,553                | 2,635,960        |
| – Credit cards . . . . .                                    | 374,297                  | 302,302          |
| – Other . . . . .   | 488,007                  | 466,131          |
| Subtotal . . . . .  | <u>3,923,857</u>         | <u>3,404,393</u> |
| Total loans and advances . . . . .                          | <u>10,896,558</u>        | <u>9,973,362</u> |
| <b>Allowance for impairment losses</b>                      |                          |                  |
| – Individually assessed . . . . .                           | (79,316)                 | (70,093)         |
| – Collectively assessed . . . . .                           | (172,938)                | (167,623)        |
| Total impairment allowance for loans and advances . . . . . | <u>(252,254)</u>         | <u>(237,716)</u> |
| Loans and advances to customers, net . . . . .              | <u>10,644,304</u>        | <u>9,735,646</u> |

## Loans and Advances to Customers by Industry

The following table sets out an analysis of the Group's loans and advances to customers by industry:

|  | As at 31 December                        |                      |                          |                      |                         |                      |
|--|--|----------------------|--------------------------|----------------------|-------------------------|----------------------|
|  | 2018                                     |                      | 2017                     |                      | 2016                    |                      |
|  | Amount                                   | % of total           | Amount                   | % of total           | Amount                  | % of total           |
|  | <i>(RMB million, except percentages)</i> |                      |                          |                      |                         |                      |
| <b>Corporate loans and advances</b>                                    |  |                      |                          |                      |                         |                      |
| Manufacturing . . . . .  | 1,674,340                                | 14.21                | 1,685,179                | 15.46                | 1,632,912               | 16.37                |
| Commerce and services . . . . .  | 1,516,354                                | 12.86                | 1,557,095                | 14.29                | 1,313,693               | 13.17                |
| Transportation, storage and postal services . . . . .                  | 1,182,411                                | 10.03                | 1,056,755                | 9.70                 | 988,773                 | 9.91                 |
| Real estate . . . . .  | 915,793                                  | 7.77                 | 820,922                  | 7.53                 | 751,035                 | 7.53                 |
| Production and supply of electricity, heating, gas and water . . . . . | 648,849                                  | 5.50                 | 599,896                  | 5.51                 | 519,161                 | 5.21                 |
| Mining . . . . .   | 320,369                                  | 2.72                 | 338,316                  | 3.10                 | 352,706                 | 3.54                 |
| Water, environment and public utility management . . . . .             | 167,811                                  | 1.42                 | 160,941                  | 1.48                 | 159,660                 | 1.60                 |
| Financial services . . . . .   | 398,478                                  | 3.38                 | 285,598                  | 2.62                 | 426,023                 | 4.27                 |
| Construction . . . . .   | 239,397                                  | 2.03                 | 207,201                  | 1.90                 | 193,318                 | 1.94                 |
| Public utilities . . . . .   | 125,917                                  | 1.07                 | 117,419                  | 1.08                 | 107,372                 | 1.08                 |
| Other . . . . .  | 157,879                                  | 1.34                 | 143,379                  | 1.32                 | 124,316                 | 1.25                 |
| Subtotal . . . . .   | <u>7,347,598</u>                         | <u>62.33</u>         | <u>6,972,701</u>         | <u>63.99</u>         | <u>6,568,969</u>        | <u>65.87</u>         |
| <b>Personal loans</b>  |  |                      |                          |                      |                         |                      |
| Mortgages . . . . .  | 3,503,563                                | 29.72                | 3,061,553                | 28.10                | 2,635,960               | 26.43                |
| Credit cards . . . . .   | 426,338                                  | 3.62                 | 374,297                  | 3.43                 | 302,302                 | 3.03                 |
| Other . . . . .  | 510,184                                  | 4.33                 | 488,007                  | 4.48                 | 466,131                 | 4.67                 |
| Subtotal . . . . .   | <u>4,440,085</u>                         | <u>37.67</u>         | <u>3,923,857</u>         | <u>36.01</u>         | <u>3,404,393</u>        | <u>34.13</u>         |
| <b>Total loans and advances to customers . . . . .</b>                 | <u><u>11,787,683</u></u>                 | <u><u>100.00</u></u> | <u><u>10,896,558</u></u> | <u><u>100.00</u></u> | <u><u>9,973,362</u></u> | <u><u>100.00</u></u> |

## Loans and Advances to Customers by Geographical Area

The following table sets out an analysis of the Group's loans and advances to customers by geographical area:

### Group

|                                       | As at 31 December                        |               |                   |               |                  |               |
|---------------------------------------|--|---------------|-------------------|---------------|------------------|---------------|
|                                       | 2018                                     |               | 2017              |               | 2016             |               |
|                                       | Amount                                   | % of total    | Amount            | % of total    | Amount           | % of total    |
|                                       | <i>(RMB million, except percentages)</i> |               |                   |               |                  |               |
| Chinese mainland . . . . .            | 9,273,549                                | 78.67         | 8,583,185         | 78.77         | 7,818,508        | 78.40         |
| Hong Kong, Macau and Taiwan . . . . . | 1,515,844                                | 12.86         | 1,339,149         | 12.29         | 1,220,962        | 12.24         |
| Other countries and regions . . . . . | 998,290                                  | 8.47          | 974,224           | 8.94          | 933,892          | 9.36          |
| <b>Total . . . . .</b>                | <b>11,787,683</b>                        | <b>100.00</b> | <b>10,896,558</b> | <b>100.00</b> | <b>9,973,362</b> | <b>100.00</b> |

## Impaired Loans and Advances by Geographical Area

The following table sets out an analysis of the Group's impaired loans and advances by geographical area:

|                                       | As at 31 December                                   |               |                     |                |               |                     |                |               |                     |
|---------------------------------------|---|---------------|---------------------|----------------|---------------|---------------------|----------------|---------------|---------------------|
|                                       | 2018  |               |                     | 2017           |               |                     | 2016           |               |                     |
|                                       | Amount  | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio |
|                                       | <i>(RMB million, except percentages and ratios)</i> |               |                     |                |               |                     |                |               |                     |
| Chinese mainland . . . . .            | 162,778   | 97.50         | 1.76                | 154,208        | 97.67         | 1.80                | 141,458        | 97.35         | 1.81                |
| Hong Kong, Macau and Taiwan . . . . . | 2,720   | 1.63          | 0.18                | 1,813          | 1.15          | 0.14                | 1,630          | 1.12          | 0.13                |
| Other countries and regions . . . . . | 1,454   | 0.87          | 0.15                | 1,861          | 1.18          | 0.19                | 2,223          | 1.53          | 0.24                |
| <b>Total . . . . .</b>                | <b>166,952</b>                                      | <b>100.00</b> | <b>1.42</b>         | <b>157,882</b> | <b>100.00</b> | <b>1.45</b>         | <b>145,311</b> | <b>100.00</b> | <b>1.46</b>         |

*Chinese mainland*

|   | As at 31 December |               |                     |                |               |                     |                |               |                     |
|---|-------------------|---------------|---------------------|----------------|---------------|---------------------|----------------|---------------|---------------------|
|   | 2018              |               |                     | 2017           |               |                     | 2016           |               |                     |
|   | Amount            | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio | Amount         | % of total    | Impaired loan ratio |
| <i>(RMB million, except percentages and ratios)</i> |                   |               |                     |                |               |                     |                |               |                     |
| Northern China . . . . .                            | 23,053            | 14.16         | 1.58                | 28,244         | 18.31         | 2.07                | 15,863         | 11.22         | 1.26                |
| North Eastern China . . . . .                       | 40,580            | 24.93         | 8.09                | 32,565         | 21.12         | 6.29                | 26,342         | 18.62         | 5.33                |
| Eastern China . . . . .                             | 56,423            | 34.66         | 1.56                | 55,365         | 35.90         | 1.65                | 54,521         | 38.54         | 1.76                |
| Central and Southern China . . . . .                | 28,114            | 17.28         | 1.12                | 24,948         | 16.18         | 1.11                | 28,774         | 20.34         | 1.45                |
| Western China . . . . .                             | 14,608            | 8.97          | 1.22                | 13,086         | 8.49          | 1.20                | 15,958         | 11.28         | 1.61                |
| Total . . . . .                                     | <u>162,778</u>    | <u>100.00</u> | <u>1.76</u>         | <u>154,208</u> | <u>100.00</u> | <u>1.80</u>         | <u>141,458</u> | <u>100.00</u> | <u>1.81</u>         |

**Reconciliation of Allowance for Impairment Losses**

The following table sets out reconciliation of allowance of impairment losses on loans and advances to customers measured at amortised cost for the year ended 31 December 2018:

|   | For the year ended 31 December 2018 |                |                |                |
|---|-------------------------------------|----------------|----------------|----------------|
|   | Stage 1                             | Stage 2        | Stage 3        | Total          |
|   | (12-month ECL)                      | (Lifetime ECL) | (Lifetime ECL) |                |
| <i>(RMB million)</i>  |                                     |                |                |                |
| As at 1 January . . . . .   | 87,094                              | 76,050         | 117,419        | 280,563        |
| Impairment losses for the year . . . . .  | 44,537                              | 36,901         | 45,952         | 127,390        |
| Reversal . . . . .  | (39,519)                            | (20,181)       | (13,102)       | (72,802)       |
| Transfers to Stage 1 . . . . .  | 10,301                              | (9,636)        | (665)          | –              |
| Transfers to Stage 2 . . . . .  | (1,481)                             | 1,929          | (448)          | –              |
| Transfers to Stage 3 . . . . .  | (350)                               | (25,985)       | 26,335         | –              |
| Impairment losses/(reversal) due to stage transformation . . . . .                              | (9,674)                             | 17,487         | 41,136         | 48,949         |
| Changes to contractual cash flows due to modifications not resulting in derecognition . . . . . | (29)                                | 2,018          | (587)          | 1,402          |
| Model/risk parameters adjustment . . . . .  | 3,929                               | (199)          | –              | 3,730          |
| Write-off and transfer out . . . . .  | (192)                               | (1,969)        | (89,497)       | (91,658)       |
| Recovery of loans and advances written off . . . . .  | –                                   | –              | 5,413          | 5,413          |
| Unwinding of discount on allowance . . . . .  | –                                   | –              | (1,652)        | (1,652)        |
| Acquisition of subsidiaries . . . . .   | 359                                 | 29             | 296            | 684            |
| Exchange differences and other . . . . .  | 814                                 | 159            | 516            | 1,489          |
| As at 31 December . . . . .   | <u>95,789</u>                       | <u>76,603</u>  | <u>131,116</u> | <u>303,508</u> |

The following table sets out reconciliation of allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income for the year ended 31 December 2018:

**For the year ended 31 December 2018**

|  | <b>Stage 1</b>            | <b>Stage 2</b>        | <b>Stage 3</b>        | <b>Total</b> |
|--|---------------------------|-----------------------|-----------------------|--------------|
|  | <b>(12-month<br/>ECL)</b> | <b>(Lifetime ECL)</b> | <b>(Lifetime ECL)</b> |              |
|  | <i>(RMB million)</i>      |                       |                       |              |
| As at 1 January . . . . .                | 829                       | 204                   | –                     | 1,033        |
| Impairment losses for the year . . . . . | 255                       | 39                    | –                     | 294          |
| Reversal . . . . .                       | (854)                     | (204)                 | –                     | (1,058)      |
| Exchange differences and other . . . . . | 4                         | –                     | –                     | 4            |
| As at 31 December . . . . .              | <u>234</u>                | <u>39</u>             | <u>–</u>              | <u>273</u>   |

The following table sets out the reconciliation of allowance for impairment losses on loans and advances to customers for the years ended 31 December 2017 and 2016:

|  | <b>For the year ended<br/>31 December</b> |                |
|--|---|----------------|
|  | <b>2017</b>                               | <b>2016</b>    |
|  | <i>(RMB million)</i>                      |                |
| As at 1 January . . . . .                              | 237,716                                   | 200,665        |
| Impairment losses for the year . . . . .               | 126,683                                   | 127,436        |
| Reversal . . . . .                                     | (42,658)                                  | (40,641)       |
| Written off and transfer out . . . . .                 | (70,344)                                  | (52,476)       |
| Transfer in  |   |                |
| – Recovery of loans and advances written off . . . . . | 3,546                                     | 3,343          |
| – Unwind of discount on allowance . . . . .            | (1,989)                                   | (2,480)        |
| – Exchange differences . . . . .                       | (1,518)                                   | 1,869          |
| Acquisition of subsidiaries . . . . .                  | 818                                       | –              |
| As at 31 December . . . . .                            | <u>252,254</u>                            | <u>237,716</u> |

Starting on 1 January 2018, the Bank has applied IFRS 9, and differences arising from the adoption of IFRS 9 have been recognised directly in shareholders' equity as at 1 January 2018. The comparative data of the previous reporting periods was not restated accordingly. IFRS 9 requires that the measurement of impairment of a financial asset be changed from “incurred loss model” to “ECL model”. In accordance with IFRS 9, the Bank assesses ECL with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified into stage 1 and assets classified into stage 2 & 3 according to ECL of 12 months and ECL of the entire lifetime respectively.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

## DIRECTORS, MANAGEMENT AND SUPERVISORS

### General

The Bank's Board of Directors currently comprises 14 members. Other than the Chairman, the Vice Chairman and Executive Directors, there are five independent directors and five non-executive directors. The Bank's directors are elected at its shareholder meetings for a term of three years, which is renewable upon re-election. The Chairman of the Bank's Board of Directors is elected by simple majority of its directors.

The Bank's Chairman, Mr. Chen Siqing, also serves as a Non-executive Director of BOCHK (Holdings), Chairman of the Board of Directors of BOC Aviation and the Bank's legal representative. Mr. Chen Siqing ceased to serve as President of the Bank as of 16 August 2017 and Mr. Liu Liange has served as the President of the Bank since August 2018.

The business address of each of the directors, supervisors and senior management named below is Bank of China Limited, No. 1 Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China.

### Directors

The following table sets forth certain information concerning the Bank's directors.

#### *Board of Directors*

| <u>Name</u>               | <u>Position</u>                                 |
|---------------------------|---|
| Chen Siqing . . . . .     | Chairman  |
| Liu Liange . . . . .      | Vice Chairman and President                     |
| Wu Fulin . . . . .        | Executive Director and Executive Vice President |
| Lin Jingzhen . . . . .    | Executive Director and Executive Vice President |
| Zhao Jie . . . . .        | Non-executive Director                          |
| Li Jucai . . . . .        | Non-executive Director                          |
| Xiao Lihong . . . . .     | Non-executive Director                          |
| Wang Xiaoya . . . . .     | Non-executive Director                          |
| Liao Qiang . . . . .      | Non-executive Director                          |
| Lu Zhengfei . . . . .     | Independent Director                            |
| Leung Cheuk Yan . . . . . | Independent Director                            |
| Wang Changyun . . . . .   | Independent Director                            |
| Angela Chao . . . . .     | Independent Director                            |
| Jiang Guohua . . . . .    | Independent Director                            |

**Chen Siqing**, has served as Chairman of the Bank's Board of Directors since August 2017. Mr. Chen joined the Bank in 1990. He served as the Bank's President from February 2014 to August 2017 and as Vice Chairman of the Bank from April 2014 to August 2017. Mr. Chen served as Executive Vice President of the Bank from June 2008 to February 2014. Mr. Chen held various positions in the Bank from June 2000 to May 2008, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office and General Manager of the Guangdong Branch. Mr. Chen previously worked in the Hunan Branch of the Bank before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Since December 2011, Mr. Chen has been serving as a Non-executive Director of BOCHK (Holdings) and Chairman of the Board of Directors of BOC Aviation. Mr. Chen served as Vice Chairman of the Board of Directors of BOCHK (Holdings) from March 2014 to August 2017 and has been serving as the Chairman of the Board of Directors of BOCHK (Holdings) since August 2017. Mr. Chen graduated from Hubei Institute of Finance and Economics in 1982. He obtained an MBA from Murdoch University, Australia in 1999. He is a Certified Public Accountant and holds the title of Senior Economist.

**Liu Liange**, has served as the Vice Chairman and Executive Director of the Bank since October 2018, and as President of the Bank since August 2018. Mr. Liu joined the Bank in 2018. He served as Vice Chairman and President of the Export-Import Bank of China from July 2015 to June 2018. Mr. Liu served as Vice President of the Export-Import Bank of China from March 2007 to February 2015. He also served as Director of the African Export-Import Bank from September 2007 to February 2015, Chairman of the Board of Supervisors of Sino-Italian Mandarin Capital Partners from March 2009 to June 2015, and Chairman of the Board of Directors of Regional Credit Guarantee and Investment Facility (Asia) from March 2014 to May 2015. Mr. Liu worked in the People's Bank of China for many years, and successively served as Deputy Director – General of the International Department of the People's Bank of China, President of the Fuzhou Central Sub-branch of the People's Bank of China and Director of the Fujian Branch of the State Administration of Foreign Exchange, Director General of the Anti-Money Laundering Bureau (the Security Bureau) of the People's Bank of China. He graduated from Graduate School of the People's Bank of China with a Master's degree in Economics in 1987. He holds the title of Senior Economist.

**Wu Fulin**, has served as Executive Director of the Bank since February and Executive Vice President of the Bank since December 2018. Mr. Wu joined the Bank in 2018. He served as Deputy General Manager of China Everbright Group Limited from March 2015 to October 2018. Mr. Wu also served as Chief Economist of China Everbright Group Limited (and its predecessor) from April 2013 to October 2018, Chairman of Sun Life Everbright Life Insurance Company Limited from July 2015 to October 2018. From September 2009 to March 2017, Mr. Wu served as General Manager of Strategies Management Department of China Everbright Group Limited (and its predecessor) and also served as Equity Director of Everbright Financial Holding Asset Management Company Limited from April 2010 to June 2017. He worked in China Everbright Bank for many years, and successively served as General Manager of Planning and Treasury Department and the Treasury Department of China Everbright Bank, General Manager of Kunming Branch of China Everbright Bank, General Manager of Shenzhen Branch of China Everbright Bank, General Manager of the Strategies Management Department of China Everbright Bank. He graduated from Fudan University with a Doctor's Degree in Economics in 1995. He has qualification of associate researcher.

**Lin Jingzhen**, has served as Executive Director of the Bank since February 2019 and Executive Vice President of the Bank since March 2018. Mr. Lin joined the Bank in 1987. He served as Deputy Chief Executive of BOC Hong Kong (Holdings) Limited from May 2015 to January 2018 and served as General Manager of the Corporate Banking Department of the Bank from March 2014 to May 2015. He served as General Manager (Corporate Banking) of the Corporate Banking Unit of the Bank from October 2010 to March 2014. Prior to this, he successively served as Deputy General Manager of Corporate Banking Department and Corporate Banking Unit of the Bank. Mr. Lin has also served as Chairman of BOC International Holdings Limited since April 2018, Chairman of BOC International (China) Co., Ltd. since May 2018, and Non-executive Director of BOC Hong Kong (Holdings) Limited since August 2018. He graduated from Xiamen University in 1987, and obtained a Master of Business Administration Degree from Xiamen University in 2000.

**Zhao Jie**, has served as the Bank's Non-executive Director since August 2017. Mr. Zhao has been serving as Inspector of the Agricultural Department of the Ministry of Finance from August 2014 to August 2017. He was an Inspector of the Office of Countryside Comprehensive Reform of the State Council from September 2008 to August 2014. From December 1991 to September 2008, Mr. Zhao served successively as Chief of Division of Taxation and Chief of Comprehensive Division of the Department of Taxation, Deputy Chief of the Department of Taxation, Deputy Chief of the Department of Tax System and Regulations of the Ministry of Finance, Chief of Office of Panel of Countryside Taxation Reform of the State Council, and Deputy Chief and Inspector of Office of Countryside Comprehensive Reform of the State Council. He graduated from Jiangxi University of Finance and Economics and Public Institute of the Ministry of Finance in August 1982 and July 2005, respectively, with a Bachelor's Degree and a Doctorate's Degree.

**Li Jucai**, has served as the Bank's Non-executive Director since September 2015. Mr. Li served as Party Committee Member and Secretary of Party Discipline Committee of the Information Network Center under the Ministry of Finance from December 2014 to September 2015. He acted as the specialised Deputy Secretary of Party Committee of the Information Network Center under the Ministry of Finance from April 2010 to December 2014. From November 1996 to April 2010, Mr. Li had successively been the Deputy Head of the Science Division of the Culture, Education and Administration Department, Division Head of the Investment Evaluation Center, Director of Administration Office and Head of the Administrative Division of the Information Network Center under the Ministry of Finance. Mr. Li obtained his Bachelor's degree in Finance from China Northeast University of Finance and Economics in 1986. He holds the title of Senior Economist.



**Xiao Lihong**, has served as the Bank's Non-executive Director of the Bank since August 2017. Ms. Xiao has been serving as Inspector of the Current Account Management Department of SAFE since April 2014. She was Deputy Director-General of the Current Account Management Department of SAFE from September 2004 to April 2014. She served successively as Deputy Chief of the Current Account Division and the Non-trade Foreign Exchange Management Division of the Supervision and Inspection Department, and Chief of the Business Supervision Division of the Current Account Management Department of the SAFE from October 1996 to September 2004. She graduated from the China Central University of Finance and Economics in August 1988 with a Bachelor's Degree, and from the Central University of Finance and Economics and Peking University in September 2003 and July 2012, respectively, both with a Master's Degree.

**Wang Xiaoya**, has served as the Bank's Non-executive Director of the Bank since August 2017. Ms. Wang served as Non-executive Director of Industrial and Commercial Bank of China Limited from January 2012 to June 2017. From May 2007 to December 2011, she was Deputy Director-General of the Research Bureau of the People's Bank of China. She taught at the Central China Normal University where she served as Assistant Lecturer and Lecturer from July 1985 to January 1995. She served as Deputy Chief and Chief of the Macroeconomic Analysis Division of the Research Bureau of the People's Bank of China from July 1997 to May 2007, and concurrently as Deputy Mayor of Tongliao City in the Inner Mongolia Autonomous Region from October 2005 to February 2007. She received a professional title of research fellow in 2005. Ms. Wang was a Member of the Post-Doctoral Academic Committee and a Post-Doctoral Co-mentor at the People's Bank of China Research Institute of Finance. Currently, she is Invited Professor at the Graduate School of Chinese Academy of Social Sciences, a mentor at the PBC School of Finance, Tsinghua University and a member of the Academic Committee of the China Institute for Rural Studies of Tsinghua University. Ms. Wang graduated from the Economics Faculty of Central China Normal University and the Graduate School of Chinese Academy of Social Sciences in January 1990 and June 1997 with a Master's Degree and a Doctorate's Degree, respectively.

**Liao Qiang**, has served as Non-executive Director of the Bank, member of the Strategic Development Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank since 29 September 2018. He has worked at S&P Global Ratings from 2005 to 2018, successively serving as an associate, associate director, director, and senior director for the rating agency's financial institution ratings group. He was also the Sector Lead and Chief Rating Officer for S&P's Financial Institution Ratings in Greater China, a designated Global Voter on S&P's Banking Industry Country Risk Assessment Committees, and a member of S&P's Global Industry Focus Team on government related entity ratings. From 1998 to 2005, he successively served in the General Division and Institution Management Division of the Non-bank Financial Institution Supervision Department of the People's Bank of China and the Market Access Division of the Non-bank Financial Institution Supervision Department of former China Banking Regulatory Commission. He is also a nonpractice member of Chinese Institute of Certified Public Accountants and a member of the academic board of Hongfan Institute of Legal and Economic Studies. Mr. Liao received a Doctor's Degree in Economics from the Graduate School of the Chinese Academy of Social Science in 2010, a Master's Degree in Monetary Banking from the Institute of Finance of the People's Bank of China in 1998, and a Bachelor's Degree in Sociology from Renmin University of China in 1995.

**Lu Zhengfei**, has served as the Bank's Independent Director since July 2013. Mr. Lu Zhengfei currently serves as the distinguished professor of Cheung Kong Scholar of Guanghua School of Management, Peking University. He had served as the head of the accounting department of the School of Business, Nanjing University between 1994 and 1999, and the head of the accounting department of Guanghua School of Management, Peking University between 2001 and 2007, and Associate Dean of Guanghua School of Management, Peking University between 2007 and 2014. Mr. Lu also currently serves as an Executive Director of the Accounting Society of China and Deputy Director of Financial Management Committee, an editorial board member of Accounting Research and Audit Research, and a member of the Disciplinary Committee of the Chinese Institute of Certified Public Accountants. In 2001, he was elected as a member of "The Hundred People Project of Beijing New Century Social Science Theoretical Talent". In 2005, he was elected to the "New Century Excellent Talent Support Plan" of the Ministry of Education, China. In 2013, he was elected to the "Renowned Expert Training Project" (first batch) of the Ministry of Finance. In 2014, he was elected as distinguished professor of Cheung Kong Scholar of the Ministry of Education, China. He currently serves as an Independent Non-executive Director or an Independent Supervisor of a number of companies listed on the Hong Kong Stock Exchange, including: Independent Non-executive Director of Sino Biopharmaceutical Ltd. since November 2005, and Independent

Supervisor of PICC Property and Casualty Co., Ltd. (“**PICC P&C**”) since January 2011. He was an Independent Non-executive Director of PICC P&C from February 2004 to December 2010. Mr. Lu graduated from Renmin University of China in 1988 with a Master’s degree in Economics (Accounting), and received his Doctor’s degree in Economics (Management) from Nanjing University in 1996.

**Leung Cheuk Yan**, has served as the Bank’s Independent Director since September 2013. He is a former partner of Baker & McKenzie, which he joined in July 1987 and from which he retired in June 2011. During 2009 and 2010, he had served as a part-time member of the Central Policy Unit of The Hong Kong Special Administrative Region Government. Mr. Leung has been an Independent Non-executive Director of MMG Limited, which is listed on the Hong Kong Stock Exchange, since July 2012. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Social Science degree (First Class Honours) in 1976, obtained a Master of Philosophy degree from The University of Oxford in 1981 and completed his legal study at The College of Law in England in 1982. He was admitted to practice as a solicitor in Hong Kong in 1985, in England and Wales in 1988, in the Australian Capital Territory in 1989 and in Victoria, Australia in 1991. He is a Senior Associate Member of St. Antony’s College, Oxford.

**Wang Changyun**, has served as the Bank’s Independent Director since August 2016 and Chairman of the Risk Policy Committee since June 2018. Mr. Wang currently serves as professor and doctoral supervisor in finance at Renmin University of China (“**RUC**”). He served as a lecturer at RUC from 1989 to 1995 and as a lecturer at Business School, National University of Singapore from 1999 to 2005. He served successively as the Chair of Applied Finance Department of RUC, Director of China Financial Policy Research Center (a key research base of Ministry of Education) and Executive Vice Dean of Hanqing Advanced Institute of Economics and Finance at RUC from 2006 to 2016. Mr. Wang is currently also the Vice Chairman of China Investment Specialty Construction Association, Director of China Finance Annual Meeting Committee, Director of China Finance Association, Deputy Editor of Finance Research Quarterly, Deputy Editor of China Finance Research, and Deputy Editor of China Financial Review. He also serves as the standing committee member of Beijing Haidian District People’s Political Consultative Conference, the Central Committee member of China Democratic League, the special auditor of State Auditing Administration, the independent non-executive director of Hope Commercial Factoring Co., Ltd., Sichuan Star Cable Co., Ltd. and Beijing Haohua Energy Resource Co., Ltd. Mr. Wang has received social recognition and prizes including the Special Government Allowance of State Council, Best Paper Award of Chicago Board of Trade in 2001, and the “Middle Age Experts with National Outstanding Contribution”, membership of “the Program for New Century Excellent Talents” of Ministry of Education in 2004, “Financial Support of National Science Fund for Distinguished Young Scholars” in 2007, a member of the “New Century National Hundred, Thousand and Ten Thousand Talent Program” in 2013, and the “Cheung Kong Distinguished Professor” of Ministry of Education in 2014. He obtained his Master degree in economics from RUC in July 1989 and Doctorate in Financial Economics from the University of London in January 1999.

**Angela Chao**, has served as the Bank’s Independent Director since January 2017. Ms. Chao serves as Deputy Chairman of Foremost Group where she is responsible for international shipping finance, strategy, chartering and ship management and operations. From 1994 to 1996, Ms. Chao worked in the mergers and acquisitions department of Smith Barney, which is now Morgan Stanley Smith Barney. From 1996 to 1999, Ms. Chao served as deputy general manager of Foremost Group, and from 2001 to 2008, Ms. Chao had successively served as vice president and senior vice president of Foremost Group. Since 2008, she has served as deputy chairman of Foremost Group. In May 2005, Ms. Chao was unanimously voted to be BIMCO39’s (The Baltic and International Maritime Council 39) Counsellor. In September 2005, she was selected as “Eminent Young Overseas Chinese” by the Overseas Chinese Affairs Office of the State Council of China. In November 2007, she was invited as speaker of World Shipping (China) Summit. In April 2011, she became a Founding Member of the Wall Street Journal’s Task Force on Women in the Economy. Ms. Chao currently serves on the Boards of The Metropolitan Opera, Museum of Modern Art PS 1, the UK P&I Marine Insurance Mutual, Foremost Foundation, Shanghai Mulan Education Foundation, and she also serves on the Harvard Business School’s Board of Dean’s Advisors, Carnegie-Tsinghua Center for Global Policy Board of Advisors, Lincoln Center Global’s China Advisory Council, the Chairman’s Council of the Metropolitan Museum of Art and American Bureau of Shipping Council. In addition, she is also a member of the Council on Foreign Relations, serves on the Young Leaders Forum of the National Committee on US-China Relations and serves as the member of Shanghai Jiao Tong University’s Antai College of Economics and Management Advisory Board, and honorary chairperson of the Jiao Tong University Alumni Association in America. Ms. Chao graduated from Harvard College in three years in 1994 with a Bachelor’s degree in economics (Magna Cum Laude), and received her Master of Business Administration degree from Harvard Business School in 2001.

**Jiang Guohua**, has served as the Bank’s Independent Director since December 2018 and serves as Professor of Accounting at the Guanghua School of Management, Peking University. Currently he also serves as a member of China National MPAcc Education Steering Committee, a member of the 17th Stock Issuance Review Committee of China Securities Regulatory Commission, and Associate Dean of Peking University Graduate School. Mr. Jiang has successively served as Assistant Professor, Associate Professor and Professor of the Accounting Department of Guanghua School of Management, Peking University since 2002, during which he successively served as Director of the Yenching Academy, Executive Associate Dean and Director of the Yenching Academy from 2013 to 2017. From 2007 to 2010, he was a senior investment consultant at Boseria Fund Management Company. From 2010 to 2016, he served as independent director of Datang International Power Generation Co. Ltd.. From 2011 to 2014, he was an academic advisor to the Global Valuation Institute of KPMG International, and from 2014 to 2015, he was a member of the Global Agenda Council of the World Economic Forum. Currently he also serves as independent director of ZRF Fund Management Company Ltd. and China Merchants Life Insurance Company Ltd.. Mr. Jiang was named National Leading Talent in Accounting by China Ministry of Finance (2012), and consecutively from 2014 to 2017, he was an Elsevier Chinese Most Cited Researcher. Mr. Jiang graduated from Peking University in 1995 with a Bachelor’s degree in Economics, received his Master’s degree in Accounting from Hong Kong University of Science and Technology in 1997, and obtained his Doctor’s degree in Accounting from the University of California, Berkeley in 2002.

There are no potential conflicts of interest between any duties to the Bank of the Directors listed above and their private interests or other duties.

### Board of Supervisors

The following table sets forth certain information concerning members of the Bank’s Supervisors.

| Name                   | Position                             |
|------------------------|--------------------------------------|
| Wang Xiquan . . . . .  | Chairman of the Board of Supervisors |
| Liu Wanming . . . . .  | Shareholder Supervisor               |
| Wang Zhiheng . . . . . | Employee Supervisor                  |
| Li Changlin . . . . .  | Employee Supervisor                  |
| Leng Jie. . . . .      | Employee Supervisor                  |
| Chen Yuhua . . . . .   | External Supervisor                  |

**Wang Xiquan**, has served as the Chairman of the Board of Supervisors of the Bank since November 2016 and Vice Party Secretary of the Bank since June 2016. Mr. Wang joined the Bank in 2016. Mr. Wang previously served in several positions at Industrial and Commercial Bank of China Limited (“**ICBC**”) for many years. He served as the Senior Executive Vice President of ICBC from September 2012 to July 2016 and Executive Director from June 2015 to July 2016. Mr. Wang served as a member of the senior management of ICBC from April 2010 to September 2012. Between September 1999 and April 2010, he successively served as Deputy Head of the Hebei Branch of ICBC, General Manager of Risk Management Department, General Manager of Internal Audit Bureau, and General Manager of Human Resource Department. Mr. Wang graduated from Shanxi Institute of Finance and Economics in 1983 and received a Doctorate degree in Management from Nanjing University in 2009. He holds the title of Senior Economist.

**Liu Wanming**, has served as the Shareholder Supervisor of the Bank since August 2004. Since January 2014, Mr. Liu has been serving as Deputy General Manager of the Audit Department of the Head Office of the Bank. From November 2001 to August 2004, Mr. Liu was designated by the State Council to serve as a Director Supervisor and a Deputy Director General Supervisor at Bank of Communications and the Bank. From August 1984 to November 2001, Mr. Liu worked with the National Audit Office, Agricultural Development Bank of China and the Central Financial Working Commission. Mr. Liu received a Bachelor’s degree in Economics from Jiangxi University of Finance and Economics in 1984.

**Wang Zhiheng**, has served as the Bank’s Employee Supervisor since December 2018. He currently serves as General Manager of the Human Resources Department of the Head Office of the Bank and Director of BOC Aviation Limited and BOC International Holdings Limited. He joined the Bank in July 1999, and used to serve as Deputy General Manager of the Human Resources Department of the Head Office, Deputy General Manager of Guangdong Branch and General Manager of Qinghai Branch of the Bank. He graduated and obtained a Master’s degree in Finance from Nankai University in 1999.

**Li Changlin**, has served as the Bank’s Employee Supervisor since December 2018. He currently serves as General Manager of the Credit Approval Department of the Head Office of the Bank and Director of Bank of China Group Investment Limited. He joined the Bank in September 1984, and used to serve as Deputy General Manager of the Risk Management Department of the Head Office and General Manager of the Credit Approval Division of the Risk Management Unit of the Head Office of the Bank. He graduated from the finance major of Central University of Finance and Economics in 1984.

**Leng Jie**, has served as the Bank’s Employee Supervisor since December 2018. He currently serves as General Manager of Hebei Branch of the Bank. He started working in November 1981 and joined the Bank in September 1988. He used to serve as Deputy General Manager of Shandong Branch, Deputy General Manager of Shanxi Branch, General Manager of Ningxia Branch and General Manager of Chongqing Branch of the Bank. He graduated from the economics administration major of Shandong Institute of Light Industry in 1999 and the accounting major of University of Jinan in 2009.

**Chen Yuhua**, has served as the External Supervisor of the Bank since June 2015. He has successively worked for China Construction Bank, China Cinda Trust & Investment Co., Ltd. and China Cinda Asset Management Co., Ltd. Mr. Chen served as Vice President of China Cinda Asset Management Co., Ltd. from December 2008 to August 2013. Mr. Chen served as Chairman of Cinda Investment Co., Ltd. from April 2004 to December 2008. Mr. Chen served as Head of the Equity Department of China Cinda Asset Management Co., Ltd. and General Manager of Cinda Investment Co., Ltd. from March 2000 to April 2004. Mr. Chen served as President of China Cinda Trust & Investment Co., Ltd. from December 1996 to March 2000. Mr. Chen served as Deputy General Manager of the Personnel Department and Deputy General Manager of the Personnel & Training Department of the Head Office of CCB from April 1994 to December 1996. Mr. Chen served as Division Head of the Construction Economy Department of the Head Office of CCB and General Manager of CCB Real Estate Consulting Corporation from March 1992 to March 1994. Mr. Chen served as Deputy Head of the Construction Economy Division, Deputy Head of the Real Estate Credit Department and Head of a direct sub-branch of CCB Sichuan Branch from August 1986 to March 1992. Mr. Chen graduated from Zhongnan University of Finance and Economics in 1986 and received a Master’s degree in Economics.

### Senior Management

The following table sets forth certain information concerning members of the Bank’s senior management.

| Name                   | Position  |
|------------------------|---|
| Sun Yu . . . . .       | Executive Vice President                                  |
| Xiao Wei . . . . .     | Chief Audit Officer                                       |
| Liu Qiuwan . . . . .   | Chief Information Officer                                 |
| Liu Jiandong . . . . . | Chief Risk Officer  |
| Mei Feiqi . . . . .    | Secretary to the Board of Directors and Company Secretary |

**Sun Yu**, has served as the Executive Vice President of the Bank since February 2019. Mr. Sun held the position of the Chief Overseas Business Officer of the Bank from September 2018 to February 2019. Mr. Sun joined the Bank in 1998. Since March 2015, he served as General Manager of London Branch, CEO and Director of Bank of China (UK) Limited, and concurrently served as General Manager of London Trading Center of the Bank since December 2015. Mr. Sun previously served as Director of Global Financial Markets Department, Director of Financial Markets Unit (Client Business), Director of Financial Markets Unit (Securities Investment), Deputy General Manager of Shanghai Branch and General Manager of Global Markets Department of Bank of China (Hong Kong) Limited. He graduated from Nankai University with a Master’s degree in Economics in 1998.

**Xiao Wei**, has served as the Chief Audit Officer of the Bank since November 2014. Mr. Xiao joined the Bank in 1994, and served as General Manager of the Financial Management Department of the Bank’s Head Office from November 2009 to November 2014. Mr. Xiao served as Deputy General Manager of the Beijing Branch of the Bank from May 2004 to November 2009, and also concurrently served as Chief Financial Officer of the Beijing Branch of the Bank from January 2007 to November 2009. He successively served as the Assistant General Manager and the Deputy General Manager of the Asset-and-Liability Management Department of the Bank’s Head Office from December 1999 to May

2004, and also served as temporary Deputy General Manager of the Beijing Branch of the Bank from November 2002 to May 2004. He graduated from Renmin University of China with a Doctorate's degree in Economics in 1994. He has the qualification of Senior Accountant.

**Liu Qiuwan**, has served as Chief Information Officer of the Bank since June 2018. Mr. Liu joined the Bank in 1994. He served as General Manager of Information Technology Department of the Bank since December 2014. From September 2009 to December 2014, he served as General Manager of the Software Center of the Bank. Mr. Liu previously served as Deputy General Manager of Ningxia Branch and CEO of BOCSOFT Information Industrial (Shenzhen) Co., Ltd. He graduated from Xi'an Mining College with a Bachelor's Degree in Engineering in 1982. He holds the title of Senior Engineer.

**Liu Jiandong**, has served as the Chief Risk Officer of the Bank since February 2019. Mr. Liu joined the Bank in 1991. Since March 2014, he has served as General Manager of the Credit Management Department of the Bank. Mr. Liu served as General Manager (Investment Banking) of the Corporate Banking Unit of the Bank from February 2011 to March 2014. Mr. Liu previously served as Deputy General Manager of the Corporate Banking Department and Corporate Banking Unit of the Bank. He graduated from Renmin University of China in 1991 with a Bachelor's Degree in Economics, and obtained a Master's Degree in Economics from Renmin University of China in 2000.

**Mei Feiqi**, has served as Company Secretary of the Bank since March 2018 and as Secretary to the Board of Directors of the Bank since April 2018. Mr. Mei joined the Bank in 1998. He served as Vice President of the Beijing Branch of the Bank, General Manager of the Wealth Management and Personal Banking Department under the Personal Banking Unit of the Bank, and General Manager of the Executive Office (Spokesman) of the Bank. Prior to joining the Bank, he worked at the Ministry of Geology and Mineral Resources and the General Office of the State Council. He graduated from Chengdu College of Geology with a Bachelor's Degree, and had on-the-job postgraduate education. He holds the title of senior economist.

## **Board Committees**

The Bank's Board of Directors delegates certain responsibilities to various committees. The Bank's Board of Directors has set up the Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee, and Connected Transactions Control Committee. These committees are constituted by certain Directors and report to the Board of Directors. In March 2015, the Board of Directors established the U.S. Risk Committee under its Risk Policy Committee to supervise risk management of the U.S. operations of the Bank. As required by the Bank's Articles of Association, each committee must have at least three Directors.

## SUBSTANTIAL SHAREHOLDERS

### Disclosure of Shareholding under H-Share Regulation Substantial Shareholder Interests

The register maintained by the Bank pursuant to section 336 of the Securities and Futures Ordinance (the “SFO”), recorded that, as at 31 December 2018, the shareholders indicated in the following table were substantial shareholders (as defined in the SFO) having the following interests in shares of the Bank:

| Name of shareholder                                 | Capacity (types of interest)                | Number of shares held/Number of underlying shares<br><i>(unit: share)<sup>(3)</sup></i> | Type of shares | Percentage of total issued | Percentage of total issued | Percentage of total issued |
|---|---|---|----------------|----------------------------|----------------------------|----------------------------|
|   |   |   |                | A-Shares capital           | H-Shares capital           | ordinary share capital     |
| Central Huijin Investment Ltd. . . . .              | Beneficial owner                            | 188,461,533,607   | A              | 89.42%                     | –                          | 64.02%                     |
|   | Interest of controlled corporations         | 1,810,024,500   | A              | 0.86%                      | –                          | 0.61%                      |
|   | Total                                       | 190,271,558,107   | A              | 90.28%                     | –                          | 64.63%                     |
| National Council for Social Security Fund . . . . . | Beneficial owner                            | 6,684,735,907   | H              | –                          | 7.99%                      | 2.27%                      |
| BlackRock, Inc. <sup>(1)</sup> . . . . .            | Interest of controlled corporations         | 5,924,680,117   | H              | –                          | 7.09%                      | 2.01%                      |
|   |   | 1,816,000 (S)   | H              | –                          | 0.0022%                    | 0.0006%                    |
| Citigroup Inc. <sup>(2)</sup> . . . . .             | Person having a security interest in shares | 238,000   | H              | –                          | 0.0003%                    | 0.0001%                    |
|   | Interest of controlled corporations         | 620,401,815   | H              | –                          | 0.74%                      | 0.21%                      |
|   |   | 226,274,847 (S)   | H              | –                          | 0.27%                      | 0.08%                      |
|   | Approved Lending Agent                      | 3,621,740,964 (P)   | H              | –                          | 4.33%                      | 1.23%                      |
|   |   | 4,242,381,579   | H              | –                          | 5.07%                      | 1.44%                      |
|   | Total                                       | 226,274,847 (S)   | H              | –                          | 0.27%                      | 0.08%                      |
|   |   | 3,621,740,964 (P)   | H              | –                          | 4.33%                      | 1.23%                      |

*Notes:*

- (1) BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,924,680,117 H Shares and a short position of 1,816,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,924,680,117 H Shares, 10,128,000 H Shares are held through derivatives. In the short position of 1,816,000 H Shares, 1,803,000 H Shares are held through derivatives.
- (2) Citigroup Inc. holds the entire issued share capital of Citicorp LLC, while Citicorp LLC holds the entire issued share capital of Citibank, N.A. Thus Citigroup Inc. and Citicorp LLC are deemed to have equal interests in shares of the Bank as Citibank, N.A. under the SFO. Citigroup Inc. holds a long position of 4,242,381,579 H Shares and a short position of 226,274,847 H Shares of the Bank through Citibank, N.A. and other corporations controlled by it. In the long position of 4,242,381,579 H Shares, 3,621,740,964 H Shares are held in the lending pool and 348,871,041 H Shares are held through derivatives. The total 226,274,847 H Shares in the short position are held through derivatives.
- (3) “S” denotes short position, “P” denotes lending pool.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2018, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

## **Controlling Shareholder of the Bank**

*Central Huijin Investment Ltd.* (“**Huijin**”) is a state-owned company established under the Company Law of the PRC. Huijin was established on 16 December 2003. The current legal representative is Mr. Ding Xuedong. Huijin’s Unified Social Credit Code is 911000007109329615. Wholly-owned by China Investment Corporation, Huijin makes equity investments in major state-owned financial institutions, as authorised by the State Council. To the extent of its capital contribution, Huijin exercises the rights and fulfils the obligations as an investor on behalf of the State, in accordance with applicable laws aimed at preserving and enhancing the value of state-owned financial assets. Huijin neither engages in other business activities nor intervenes in the daily operation of the key state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2018, the Bank does not have any other institutional shareholders holding at least 10 per cent. of the total voting shares of the Bank (excluding HKSCC Nominees Limited).

## **CONNECTED TRANSACTIONS**

The Bank currently engages in, and expects from time to time in the future to engage in, financial and commercial transactions with its connected parties. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable listing rules. For the year ended 31 December 2018, the Bank had no significant connected transactions.



## TAXATION

*The following is a general description of certain tax considerations relating to the Notes and is based on laws and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Relevant Obligors, the Bank nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.*

### People's Republic of China

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law promulgated on 16 March 2007 and effective on 1 January 2008 and the PRC Individual Income Tax Law, as amended on 30 June 2011, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation (“SAT”) issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (Caishui [2016] No. 36, “Circular 36”) which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the relevant Issuer.

#### *(I) In the event that the Issuer is the Bank's head office (the “BOC Head Office”)*

In the event that the Issuer is BOC Head Office, BOC Head Office will be subject to withhold PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7% of the gross amount of the interest pursuant to such arrangement. Further, given that the BOC Head Office is located in the PRC, in the event that the Issuer is the BOC Head Office, holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Given that BOC Head Office pays interest income to Noteholders who are located outside of the PRC, BOC Head Office, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC. BOC Head Office has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the “Terms and Conditions of the Notes”.

*(II) In the event that the Issuer is a Branch Issuer or the Notes are guaranteed by an Overseas Branch*

In the event that the Issuer is a Branch Issuer or the Notes are guaranteed by an Overseas Branch, the relevant Issuer and the relevant Guarantor, as applicable, are not obliged to withhold PRC income tax at the rate up to 10% (for non-resident enterprises) or 20% (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders provided that the payments are made outside of the territory of PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the relevant Issuer or Guarantor is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the relevant Issuer or Guarantor will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Conditions. If BOC Head Office shall perform the obligation of paying interest of the Notes in the event and only when the relevant Branch Issuer or Overseas Branch as Guarantor fails to perform its obligations of paying the interest of the Notes, BOC Head Office will be obliged to withhold PRC income tax at a rate of 10% (for non-resident enterprises) or 20% (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and PRC VAT tax and local levies at the rate of 6.72% of the interest component of the amount payable by BOC Head Office to the Noteholders if the PRC tax authority views such component as an interest income arising within the territory of the PRC.

Pursuant to the EIT Law, IIT Law and the VAT reform detailed above, in the case of (I) and (II), the Relevant Obligor(s) or the Bank shall withhold EIT or IIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Relevant Obligor(s) or the Bank shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that such Relevant Obligor and the Bank are required to make such a deduction or withholding (whether by way of EIT, IIT or VAT otherwise), each Relevant Obligor and the Bank have agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see “*Terms and Conditions of the Notes – Condition 14 (Taxation)*”.

*(III) In the event that the Issuer is a Subsidiary Issuer and the Notes are not guaranteed*

In the event that the Issuer is a Subsidiary Issuer and the Notes are not guaranteed, the relevant Issuer is not obliged to withhold PRC income tax or PRC VAT tax.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if the relevant Issuer is treated as a PRC tax resident enterprise under the Enterprise Income Tax Law and related implementation regulations in the future, any gains realized by the non-resident Noteholders from the transfer of the Notes may be regarded as being sourced within the PRC and accordingly would be subject to the rate of 10% (for non-resident enterprises) or 20% (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under Circular 36 does not apply and the relevant Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. According to an arrangement between the mainland China and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. There is uncertainty as to whether gains realized on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as incomes sourced within the PRC which as a result will be subject to PRC individual income tax.

Circular 36 has been issued quite recently, the above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

## **Hong Kong**

### ***Withholding Tax***

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”), interest on the Notes may be subject to profits tax if it is received by or accrued to:

- a corporation, other than a financial institution (as defined in the Inland Revenue Ordinance), carrying on a trade, profession or business in Hong Kong and where such interest is derived from Hong Kong;
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business and where such interest is derived from Hong Kong; or
- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrued are made available outside Hong Kong.

Sums derived from the sale, disposal or redemption of the Notes will not be subject to profits tax in Hong Kong unless such sale, disposal or redemption is or forms part of the revenue or profits of such trade, profession or business carried on in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired or disposed of, including where such activities were undertaken.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

### ***Stamp Duty***

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “**SDO**”)).

If stamp duty is payable it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- the Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the value of the consideration or to the value on the contract notes for such sale, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## **The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Relevant Obligors and the Bank believe to be reliable, but none of the relevant Issuer, the Bank or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Relevant Obligors, the Bank or any other party to the Programme Agency Agreement or any Alternative Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### The Clearing Systems

#### **DTC**

DTC is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the clearance and settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealer, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealer, Inc. Access to the DTC System is also available to others such as securities brokers and dealer, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has a reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Relevant Obligor(s), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of each Relevant Obligor, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Transfer Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

#### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for its customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### ***CMU Service***

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

#### ***Book-entry Ownership of and Payments in respect of DTC Notes***

The relevant Issuer may apply to DTC in order to have any Series of Notes represented by a Global Note Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Note Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Note Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Note Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Note Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Note Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The relevant Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The relevant Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the relevant Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Issuer.

#### ***Transfers of Notes Represented by Global Notes Certificate***

Transfers of any interests in Notes represented by a Global Note Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note Certificate to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Note Certificate accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Note Certificate accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Paying Agent and the DTC Custodian with whom the relevant Registered Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between Participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Paying Agent and the DTC Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Relevant Obligors, the Bank, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear, the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes Certificate or for maintaining, supervising or reviewing any records relating to such beneficial interests.



## TRANSFER RESTRICTIONS

### Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period as defined in Regulation S, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
  - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (b) it is not an affiliate of any Relevant Obligor or a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (b) to the relevant Issuer; or
  - (c) in the case of Unrestricted Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, in each case in accordance with any applicable securities laws of any State of the United States;
- (iii) it understands that each Relevant Obligor, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify the Relevant Obligor(s).

On or prior to the expiration of the relevant distribution compliance period, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 5 (*Form of Transfer Certificate*) to the Bank Issuer Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After the expiration of the relevant distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under “*Forms of the Notes*”.

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 5 (*Form of Transfer Certificate*) to the Bank Issuer Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

## Rule 144A Notes

Each purchaser of Restricted Notes in reliance on Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the relevant Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the relevant Issuer or any of its affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions applicable to the Restricted Notes;
- (iii) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES.

- (iv) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (v) the purchaser understands that the relevant Issuer, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify the relevant Issuer.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the relevant Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the relevant Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the relevant Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with CBIRC and PBOC acting as the principal regulatory authorities. CBIRC is primarily responsible for supervising and regulating banking institutions, and PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC banking industry consist principally of the PRC PBOC Law, the PRC Commercial Banking Law, the Law of PRC on Supervision and Administration of Banking Sector, and rules and regulations promulgated thereunder.

### Principal Regulators

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, China Banking Regulatory Commission (CBRC) was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions.

In March 2018, the PRC Government announced the merger of the China Banking Regulatory Commission (CBRC) with the China Insurance Regulatory Commission (CIRC), to form the China Banking Insurance Regulatory Commission (CBIRC). It is expected that further announcement will be issued by the PRC government to set out the roles and responsibilities of the CBIRC and the PBOC in regulating the banking institutions of the PRC.

### CBIRC

#### *Functions and Powers*

CBIRC is the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Supervision and Administration of Banking Sector, the main responsibilities of CBIRC include:

- (1) formulating and promulgating rules and regulations governing banking institutions and their business activities;
- (2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;
- (3) regulating the business activities of banking institutions, including the products and services they offer;
- (4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;
- (5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;
- (6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;
- (7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;
- (8) imposing corrective and punitive measures for violations of applicable banking regulations;
- (9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;

- (10) working with authorities (including the PBOC and the Ministry of Finance);
- (11) to establish emergency disposal mechanisms and to deal with any emergencies in the banking sector;
- (12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and
- (13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

#### *Examination and Supervision*

CBIRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. CBIRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, CBIRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

#### **PBOC**

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, PBOC is empowered to:

- (1) formulate and implement monetary policies by establishing benchmark interest rates, setting the deposit reserve ratios for banks, extending loans to commercial banks, accepting discounted bills and conducting open market operations;
- (2) issue PRC treasury bills and other government bonds to financial institutions, as the agent of the MOF;
- (3) issue the currency of Renminbi and regulate the flow of Renminbi;
- (4) regulate the inter-bank lending market, inter-bank bond market and inter-bank foreign exchange market;
- (5) set foreign exchange rate policies and manage the PRC's foreign exchange reserves and gold reserves;
- (6) manage the state treasury;
- (7) maintain the normal operation of payment and settlement systems;
- (8) carry out foreign exchange administration and regulate inter-bank foreign exchange market;
- (9) establish anti-money laundering guidelines and monitor fund transfers to ensure that such transfers are in compliance with anti-money laundering regulations;
- (10) act as the central bank of the PRC to conduct relevant international financial activities; and
- (11) collect statistics of, investigate, analyse and forecast the financial industry.

*Other Regulatory Authorities*

In addition to CBIRC and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE, CSRC, CIRC and NDRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC; and in conducting bancassurance business, banks are subject to the regulation of CIRC; and in issuing the notes overseas by the domestic banks, the domestic banks are subject to the regulation of NDRC.

**Regulations Regarding Capital Adequacy**

*Capital Adequacy Guidelines*

In June 2012, the CBIRC issued the CBIRC Measures regulating CARs of PRC commercial banks. The CBIRC Measures, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of “capital” and “risk-weighted assets”. The overall CAR requirements are 11.5% for systematically important commercial banks and 10.5% for other commercial banks. Commercial banks in the PRC are required to have a CAR of not less than 8%, Tier 1 CAR of not less than 6% and Common Equity Tier 1 CAR of not less than 5%. The CARs are calculated in accordance with the CBIRC Measures as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital - deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital - deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Common Equity Tier 1 Capital Adequacy Ratio} = \frac{\text{Common Equity Tier 1 Capital - deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

In November 2012, the CBIRC further released the Guiding Opinion on Commercial Banks’ Innovation on Capital Instruments (the “**2012 Guiding Opinions**”), setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments.

In addition, the CBIRC Measures requires that commercial banks meet regulatory requirements on capital adequacy ratios as set forth in these Measures before the end of 2018. On 30 November 2012, the CBIRC issued (“**Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation**”) of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), which requires the satisfaction by systematically important commercial banks and other banks of CAR requirements by the end of 2013, 2014, 2015, 2016, 2017 and 2018 respectively.

## PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

### Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”) which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the *Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups* (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the “**2015 PBOC Circular**”), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (the “**Shanghai FTZ**”) may establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pool. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cashed.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

### Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by PBOC, the Ministry of Commerce of the PRC (“**MOFCOM**”) and the State Administration of Foreign Exchange of the PRC (“**SAFE**”), foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資金結匯管理方式的通知) which became effective on 1 June 2015, allows foreign-invested enterprises to settle 100% (subject to future adjustment at discretion of SAFE) of the foreign

currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "cross-border security"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

Nevertheless, since January 2016, PBOC and SAFE have worked to set up the Macro Prudential Assessment ("**MPA**") system in order to unify the management of foreign debt denominated in Renminbi and foreign currencies. The latest MPA system is established pursuant to the 2017 PBOC Circular. Under the MPA system, both non-financial enterprises and financial institutions are allowed to borrow foreign debt within the defined "cross-border financing risk weighted balance limit". They can settle foreign debt proceeds in Renminbi on a voluntary basis, provided that the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stock, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), has been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed certain quota restrictions, and has granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

The Interbank foreign exchange market of the PRC is also gradually opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for certain foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.



## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

The Dealers have, in a dealer agreement (the “**Dealer Agreement**”) dated 4 April 2019, agreed with the Relevant Obligor(s) a basis upon which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. Each Relevant Obligor will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Where the relevant agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the “**Issue Price**”), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. Each of the Bank and the Relevant Obligor(s) has agreed to reimburse the Arrangers certain of their expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the relevant Pricing Supplement.

Each of the Bank and the Relevant Obligor(s) has agreed to indemnify the Dealer against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealer to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

In order to facilitate the offering of any Series of the Notes, certain persons participating in the offering of the Series may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Series. Specifically such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealer participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the issue date of the relevant Series of Notes.

In connection with each Series of Notes issued under the Programme, the Dealer or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of any Relevant Obligor or its respective subsidiaries or affiliates at the same time as the offer and sale of each Series of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Series of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Series of Notes).

### Selling Restrictions

#### United States of America

##### **CATEGORY 1**

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S

under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### ***CATEGORY 2/CATEGORY 3***

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the relevant Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers, or, in the case of a syndicated issue, the relevant lead manager(s) as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the relevant Issuer shall notify each such Dealer when all such Dealers, or, in the case of a syndicated issue, the relevant lead manager(s) have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that the Arrangers, or any other Dealer, may directly or through its respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to qualified institutional buyers pursuant to Rule 144A.

### **European Economic Area**

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision,

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the relevant Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive each, a “**Relevant Member State**”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended or superseded, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
  - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer.

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to any Relevant Obligor; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **PRC**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948), as amended (the “**FIEA**”). Accordingly, each Dealer represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Shares and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Relevant Obligor(s) each has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

## General

These selling restrictions may be modified by the agreement of each of the Relevant Obligor(s) and the Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

## GENERAL INFORMATION

### 1 Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Bank is 54930053HGCFWVHYZX42.

### 2 Listing

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which Notes may be issued by way of debt issues to Professional Investors only. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK\$500,000 (or equivalent in other currencies).

### 3 Authorisation

The establishment and update of the Programme and the issue of the Notes thereunder were authorised by resolutions of the board of directors of the Bank passed on 24 March 2011 and 29 March 2018, respectively, and resolutions of the shareholders' meeting of the Bank passed on 27 May 2011 and 28 June 2018, respectively. The Bank and each Relevant Obligor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes.

### 4 NDRC Registration

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time. Alternatively, separate pre-issue registration of a particular Tranche of Notes may be completed by the Bank as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC.

### 5 PBOC Reporting

With respect to any applicable Tranche of the Notes, reporting will be completed by the Bank in accordance with the 2017 PBOC Circular when the applicable Pricing Supplement is executed and before the relevant Issue Date.

### 6 Legal and Arbitration Proceedings

None of the Relevant Obligor(s), the Relevant Group nor the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which any Relevant Obligor or the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of any Relevant Obligor, the Relevant Group, the Bank or the Group.

## **7 Significant/Material Change**

Since 31 December 2018, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position or prospects of any Relevant Obligor, the Bank, or the Group.

## **8 Auditor**

The Bank's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018, which are incorporated by reference in this Offering Circular, have been audited by Ernst & Young, Certified Public Accountants, as stated in its audit reports appearing therein.

## **9 Documents on Display**

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the registered office of the Bank at No. 1 Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China and the specified office of the Principal Paying Agent at The Bank of New York Mellon, London Branch, 40th Floor, One Canada Square, London E14 5AL, United Kingdom for so long as the Notes are capable of being issued under the Programme:

- (i) the articles of association of the Bank and each Subsidiary Issuer (if applicable);
- (ii) the audited consolidated financial statements of the Bank for the years ended 31 December 2017 and 2018, respectively;
- (iii) copies of the latest annual report and audited annual consolidated financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements, of the Bank;
- (iv) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Principal Paying Agent as to its holding of Notes and identity);
- (v) a copy of this Offering Circular together with any supplement to this Offering Circular;
- (vi) the Non-Guaranteed Notes Principal Trust Deed (which contains the forms of the Notes in global and definitive form), the Guaranteed Notes Principal Trust Deed (which contains the forms of the Notes in global and definitive form), each Non-Guaranteed Notes Trust Deed, each Guaranteed Notes Trust Deed and each Alternative Trust Deed;
- (vii) the Non-Guaranteed Notes Principal Agency Agreement, the Guaranteed Notes Principal Agency Agreement, each Non-Guaranteed Notes Agency Agreement, each Guaranteed Notes Agency Agreement and each Alternative Agency Agreement;
- (viii) the Dealer Agreement; and
- (ix) the Programme Manual.

## **10 Clearing of the Notes**

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg, DTC and CMU Service. The appropriate common code, the International Securities Identification Number, CMU instrument number and/or the Committee on the Uniform Security Identification Procedure (“CUSIP”) in relation to the Notes of each Series will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.



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