

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW) (“RULE 144A”) OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW) (“REGULATION S”)) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be either (I) QIBs (within the meaning of Rule 144A) or (II) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S. By accepting this e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the relevant Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Relevant Obligor(s) (as defined in the Offering Circular), Bank of China Limited and Bank of China (Hong Kong) Limited (together, the “**Arrangers**”), any person who controls any Arranger or Dealer (as defined in the Offering Circular), any director, officer, employee or agent of the Relevant Obligor(s) or any Arranger or Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply email communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

BANK OF CHINA LIMITED

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



中國銀行

BANK OF CHINA

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 outside the PRC (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 the agents named therein (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 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 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”). 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”).

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 (國家發改委改革企業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 (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 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 however 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 interests in 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 S.A./N.V. (“Euroclear”) and/or 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 (“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 in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a “distributor”) should take into consideration such target market; 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 and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID II 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 II 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 Directive 2014/65/EU (as amended, “MiFID II”) or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, 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, 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, Fitch and S&P are expected to rate Senior Notes issued under the Programme “A1” and Fitch is expected to rate Senior Notes issued under the Programme “A1”, “A” and “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 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 12.

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 3 April 2018

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 Netherlands, 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 in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a “**distributor**”) should take into consideration such target market; 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 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 Directive 2014/65/EU (as amended, “**MiFID II**”) or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, 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, 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 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 Relevant Obligor(s), the Group or the Relevant Subsidiary Group and the plans and objectives of the management of the Relevant Obligor(s), the Group and 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 Relevant Obligor(s), the Group 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 Relevant Obligor(s), the Group’s and the Relevant Subsidiary Group’s present and future business strategies of the Relevant Obligor(s), the Group and the Relevant Subsidiary Group and the environment in which the Relevant Obligor(s), the Group or the Relevant Subsidiary Group will operate in the future. The Relevant Obligor(s) 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 any Relevant Obligor, the Group 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 any Relevant Obligor. All subsequent written and forward-looking statements attributable to any Relevant Obligor or persons acting on behalf of the Relevant Obligor(s) 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 2016 and 2017 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.

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 or the Group and the plans and objectives of the management of the Bank and the 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 Issuer, the Bank or the 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 and the Group's present and future business strategies of the Bank and the Group and the environment in which the Bank or the Group will operate in the future. The Bank expressly disclaims any obligation or undertaking to release any updates or revisions to any forward looking statements contained herein to reflect any change in the Issuer's or the Group's expectations 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 Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

PRESENTATION OF FINANCIAL INFORMATION

The financial information as at and for the years ended 31 December 2015, 2016 and 2017 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 2016 and 2017, 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.

Issuer	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.
Guarantor	Notes issued by a Subsidiary Issuer may be unconditionally and irrevocably guaranteed by an Overseas Branch as specified in the relevant Pricing Supplement.
Relevant Obligor(s)	The relevant Issuer (for Notes other than the Guaranteed Notes); each of the relevant Issuer and the relevant Guarantor (for Guaranteed Notes).
Programme Size	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.
Arrangers	Bank of China Limited and Bank of China (Hong Kong) Limited.
Dealers	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.
Principal Paying Agent, Paying Agent	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).
Registrar	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).
Transfer Agent	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).
CMU Lodging and Paying Agent . .	The Bank of New York Mellon, Hong Kong Branch.
Trustee	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.

Redemption	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. 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.
Redemption for tax reasons	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>). See “ <i>Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons</i> ”.
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) (<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. See “ <i>Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Change of Control</i> ”.
Optional Redemption	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>).
Interest	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.
Denominations	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.
Cross Default	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 Netherlands, 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 depositary 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 2016 and 2017. It should also be read in conjunction with any other information incorporated into this Offering Circular (see "Information Incorporated by Reference" in this Offering Circular).

Consolidated Income Statement

	For the year ended 31 December		
	2017	2016	2015
	<i>(Amount in millions of Renminbi, unless otherwise stated)</i>		
Interest income	622,616	566,139	615,056
Interest expense	(284,227)	(260,091)	(286,406)
Net interest income	338,389	306,048	328,650
Fee and commission income	100,800	98,319	100,905
Fee and commission expense	(12,109)	(9,655)	(8,495)
Net fee and commission income	88,691	88,664	92,410
Net trading gains	1,686	8,496	9,460
Net gains on financial investments	2,406	12,524	5,765
Other operating income	52,589	69,924	37,627
Operating income	483,761	485,656	473,912
Operating expenses	(173,859)	(175,069)	(185,401)
Impairment losses on assets	(88,161)	(89,072)	(59,274)
Operating profit	221,741	221,515	229,237
Share of results of associates and joint ventures	1,162	897	2,334
Profit before income tax	222,903	222,412	231,571
Income tax expense	(37,917)	(38,361)	(52,154)
Profit for the period/year	184,986	184,051	179,417
Attributable to:			
Equity holders of the Bank	172,407	164,578	170,845
Non-controlling interests	12,579	19,473	8,572
	184,986	184,051	179,417
Earnings per share for profit attributable to equity holders of the Bank during the year (Expressed in RMB per ordinary share)			
– Basic	0.56	0.54	0.56
– Diluted	0.56	0.54	0.56

Consolidated Statement of Financial Position

	As at 31 December		
	2017	2016	2015
	<i>(Amount in millions of Renminbi, unless otherwise stated)</i>		
ASSETS			
Cash and due from banks and other financial institutions	560,463	659,982	654,378
Balances with central banks	2,227,614	2,271,640	2,196,063
Placements with and loans to banks and other financial institutions . . .	575,399	594,048	426,848
Government certificates of indebtedness for bank notes issued	129,350	117,421	91,191
Precious metals	172,763	161,417	176,753
Financial assets at fair value through profit or loss	193,611	124,090	119,062
Derivative financial assets	94,912	130,549	82,236
Loans and advances to customers, net	10,644,304	9,735,646	8,935,195
Financial investments	4,361,111	3,848,794	3,476,033
– available for sale	1,857,222	1,609,830	1,078,533
– held to maturity	2,089,864	1,843,043	1,790,790
– loans and receivables	414,025	395,921	606,710
Investment in associates and joint ventures	17,180	14,059	10,843
Property and equipment	205,614	194,897	182,031
Investment properties	21,026	21,659	23,281
Deferred income tax assets	46,487	34,341	22,246
Assets held for sale	–	50,371	237,937
Other assets	217,590	189,975	181,500
Total assets	19,467,424	18,148,889	16,815,597
LIABILITIES			
Due to banks and other financial institutions	1,425,262	1,420,527	1,764,320
Due to central banks	1,035,797	867,094	415,709
Bank notes in circulation	129,671	117,656	91,331
Placements from banks and other financial institutions	500,092	302,792	447,944
Derivative financial liabilities	111,095	107,109	69,160
Due to customers	13,657,924	12,939,748	11,729,171
– at amortised cost	13,285,157	12,589,437	11,389,260
– at fair value	372,767	350,311	339,911
Bonds issued	499,128	362,318	282,929
Other borrowings	30,628	27,152	30,281
Current tax liabilities	34,521	28,055	37,982
Retirement benefit obligations	3,027	3,439	4,255
Deferred income tax liabilities	4,018	4,501	4,291
Liabilities classified as held for sale	–	42,488	196,850
Other liabilities	459,582	438,918	383,769
Total liabilities	17,890,745	16,661,797	15,457,992
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital	294,388	294,388	294,388
Other equity instruments	99,714	99,714	99,714
Capital reserve	141,880	141,972	140,098
Treasury shares	(102)	(53)	(86)
Other comprehensive income	(35,573)	(3,854)	(2,345)
Statutory reserves	141,334	125,714	111,511
General and regulatory reserves	207,817	193,462	179,485
Undistributed profits	646,558	560,339	482,181
Non-controlling interests	80,663	75,410	52,659
Total equity	1,576,679	1,487,092	1,357,605
Total equity and liabilities	19,467,424	18,148,889	16,815,597

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 CBRC, 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% to 6%, while the minimum Common Equity Tier 1 Capital will be raised to 4.5% (with the CBRC expected to require PRC banks to maintain a 5% Common Equity Tier 1 Capital), with an additional 2.5% capital conservation buffer and certain buffer for systematically important banks.

The CBRC published the CBRC 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 CBRC 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 CBRC 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 be adapted to the more stringent requirements for the capital adequacy ratios level under the New Basel Capital Accord and thus to meet the raised 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% of the relevant benchmark deposit rate and the minimum interest rate for loans to 80% of the relevant benchmark lending rate. In July of the same year, PBOC again adjusted the minimum interest rate for loans to 70% 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% and raised the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.75%. On 1 March 2015, PBOC further lowered the one-year Renminbi benchmark loan interest rate by 0.25 percentage points to 5.35% and lowered the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.5%. 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% and 2.25% 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% and 1.5% 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. CBRC requires all commercial banks in the PRC to maintain certain financial ratios throughout its operations.

In recent years, CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC. In April 2011, CBRC 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, CBRC promulgated the CBRC 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%, 6% and 5%, respectively. On 30 November 2012, CBRC 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 CBRC and the Basel Committee. As at 31 December 2017, 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 CBRC Capital Regulations) were 14.19%, 12.02% and 11.15%, respectively.

Although the Group is currently in compliance with the capital adequacy requirement, there can be no assurance that CBRC 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 CBRC 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, CBRC 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

CBRC 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 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 2017, the Group's non-performing loans under its five-category loan classification were RMB158.469 billion, representing an NPL ratio of 1.45%. 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 2017, the balance of the Group's allowance for impairment losses on loans and advances was RMB252.254 billion and the coverage ratio of allowance for loan impairment losses to NPLS was 159.18%. The Group's allowance for impairment losses on loans and advances 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 impairment losses 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 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 are 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, CBRC, CSRC, the CIRC, 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 may be subject to sanctions if it conducts transactions in violation of the relevant sanctions regulations, which could adversely affect your investment in the Notes

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 has conducted business in countries that are the subject of U.S. economic sanctions and with entities that are the subject of sanctions in exceptional circumstances, although any such business has constituted a negligible proportion of the Group's revenue in recent periods. The Group does not believe that its activities violate any applicable sanction regulations. However, if it was otherwise determined that any of the Group's transactions violated applicable sanctions regulations, the Group could be subject to penalties and its reputation and ability to conduct future business in the U.S. or other relevant jurisdictions or with U.S. persons or other relevant persons could be adversely affected, which could adversely affect your investment in the Notes.

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 International Accounting Standards and their interpretations ("**IAS 39**"). 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 IAS 39. 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 CBRC. 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 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 this Offering Circular with respect to the Bank, the Group, the PRC, its economy or its banking industry

Certain facts, forecasts and statistics in this 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 SMEs, 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.

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 National Development and Reform Commission on the Pilot Enterprises (first batch) of Foreign Debt Scale Management Reform of 2017 (《國家發展改革委關於2017年度外債規模管理改革試點企業(第一批)的批復》) (發改外資[2017]60號) issued by the NDRC on 8 January 2017 and a quota of foreign debt to be issued in 2017 granted by the NDRC on 8 January 2017, separate pre-issuance registration with the NDRC with respect to the Notes is not required as the Notes will be issued within the aforesaid quota. This approval issued by the NDRC on 8 January 2017 is a new regulation and 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.

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

In 2008, the global credit markets experienced significant turbulence, as a result of the liquidity destruction in the U.S. credit and subprime mortgage markets since the second half of 2007. This event and other relevant events, such as the collapse of a number of financial institutions, led to the slowdown in economic growth in the United States, other countries and districts, the significant volatility across global financial markets, the fluctuations in foreign currency exchange rates and the liquidity fluctuations and crunch in global financial markets. The effects of this global financial crisis have also affected macro-economic conditions in China. According to the statistics released by the PRC Government, the real growth rate of China's GDP appeared a downward trend over this period.

Currently, conditions of the global economy remain weak. In addition, a debt crisis has emerged in Europe due to serious concerns over the abilities of certain EU member countries such as Greece to repay their debt, leading to further uncertainty for the global economy and financial markets. The continuing slowdown of the global economy and increasing uncertainties in financial markets could adversely affect the Bank's 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 businesses, results of operations and financial condition of the Bank 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 CBRC. The PBOC may also be involved in the process as the appropriate authority regarding certain issues.

CBRC adopted Basel III risk-based capital regulations in June 2012, which is the CBRC Measures, and brought them into force on 1 January 2013. The CBRC Measures apply to all 511 commercial banks registered in the PRC, including small and medium-sized commercial banks that are not internationally active. The CBRC Measures follow the implementation schedule stipulated by the Basel Committee. In November 2012, supplementary documents were published by the CBRC, 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 CBRC 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 CBRC 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 CBRC 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 CBRC; 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 CBRC Measures or 2012 Guiding Opinions (defined below) or the application of relevant laws, including those arising from the Basel III Reforms (including CBRC'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 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, known as the Recovery and Resolution Directive (the "RRD"). The stated aim of the draft RRD is to provide supervisory authorities with common tools and powers to address banking crisis pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers proposed to be granted to supervisory authorities under the draft RRD include a "bail-in" tool, which would give such authorities the power to write down or write off the claims (potentially including the Notes) of certain unsecured creditors of a failing institution and/or to convert certain debt claims to equity. Except for the general bail-in tool, which is expected to be implemented by 1 January 2018, it is currently contemplated that the measures set out in the draft RRD (including the power of authorities to write off Tier 2 instruments) will be implemented with effect from 1 January 2015. However, the RRD is not in final form and changes may be made to it in the course of the legislative process.

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 CBRC 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 CBRC 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 "CBRC Capital Regulation"), any payment of income (in the case of Common Equity Tier 1 Capital Instruments (as defined in the CBRC Capital Regulation)), dividend or interest (in the case of Additional Tier 1 Capital Instruments (as defined in the CBRC Capital Regulation) or Tier 2 Capital Instruments (as defined in the CBRC Capital Regulation)) is required to be made from available resources of the Bank. However, as the

CBRC 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 CBRC 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, 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 the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead 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.

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 Conditions 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 then 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 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**”) is 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 into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment 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 the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by BOC in 2018, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that

the 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. Despite Renminbi international pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. 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 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 has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further 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 although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purposes and sale of Renminbi. 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 cases where the participating banks cannot source sufficient Renminbi through the above channels, they 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” 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 D₁ is greater than 29, in which case D₂ 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” 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 D₂ 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” 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 D₁ will be 30; and

“**D₂**” 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 D₂ 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, 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, 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 however 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.]

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 3 April 2018. 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^{1, 2}: [●]
(ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
(ii) Interest Commencement Date: [*Specify/Issue Date/Not Applicable*]

¹ 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).

² 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.

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*]³
- [*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]

³ 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 Amount⁴
- (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*]

⁴ 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]⁵
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]⁵
- 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]

⁵ 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: [●]]; [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 depository or a common depository 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 depository, common depository 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 depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository or a nominee for that depository or common depository.

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 2017. 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 this Offering Circular.

	As at 31 December 2017 (Audited) (RMB million)
Debt⁽¹⁾	
Bonds issued	499,128
Other borrowings	30,628
	529,756
Equity	
Capital and reserves attributable to equity holders of the Bank	
Share capital	294,388
Other equity instruments	99,714
Capital reserve	141,880
Treasury shares	(102)
Other comprehensive income	(35,573)
Statutory reserves	141,334
General and regulatory reserves	207,817
Undistributed profits	646,558
	1,496,016
Non-controlling interests	80,663
	1,576,679
Total equity and liabilities	19,467,424

Note:

(1) In addition, as at 31 December 2017, 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 2017, the total authorised share capital of the Bank was RMB294,387,791,241 dividing into 294,387,791,241 shares of RMB1.00 par value each, all of which had been issued and were fully paid-up, comprising of 210,765,514,846 A Shares and 83,622,276,395 H Shares.

On 5 March 2018, the Macau branch of the Bank, issued two series of notes with an aggregate principal amount of CNY4,000,000,000 under the Programme (CNY1,500,000,000 4.45 per cent. Notes due 2019 and CNY2,500,000,000 4.65 per cent. Notes due 2021).

On 8 March 2018, the Macau branch of the Bank, issued three series of notes with an aggregate principal amount of U.S.\$2,250,000,000 under the Programme (U.S.\$1,000,000,000 Floating Rate Notes due 2021, U.S.\$1,000,000,000 Floating Rate Notes due 2023 and U.S.\$250,000,000 4.00 per cent. Notes due 2028).

Except as disclosed in this Offering Circular, there has been no material adverse change in the capitalisation of the Group since 31 December 2017.

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) Limited (“**BOCI China**”), an insurance business through Bank of China Group Insurance Company Limited (“**BOCG Insurance**”), BOC Group Life Assurance Company Limited (“**BOCG Life**”) and Bank of China Insurance Company Limited (“**BOC Insurance**”), a fund management business through Bank of China Investment Management Co., Ltd. (“**BOCIM**”), and a direct investment and investment management business through the Bank of China Group Investment Limited (“**BOCG 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, Bank of China (Hong Kong) Limited (“**BOCHK**”) 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 2017, 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 six consecutive years.

On 15 November 2017, the Bank announced CBRC’s approval in relation to the commencement of operation of BOC Financial Asset Investment Co., Ltd. (“**BOC Asset Investment**”), a wholly-owned subsidiary of the Bank. The registered capital of BOC Asset Investment is RMB10 billion and its place of registration is Beijing. BOC Asset Investment mainly engages in debt-to-equity swaps and other supporting businesses.

As at 31 December 2017, the Group’s NPLs totalled RMB158.469 billion, representing an increase of RMB12.466 billion compared with the prior year-end. The NPL ratio was 1.45%, down by 0.01 percentage point compared with the prior year-end. The balance of the Group’s allowance for loan impairment losses amounted to RMB252.254 billion, an increase of RMB14.538 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 159.18% and the credit cost was 0.81%.

For the year ended 31 December 2017, the Group recorded a profit for the period of RMB184.986 billion, an increase of 0.51% compared with the same period of the prior year. It realised a profit attributable to equity holders of the Bank of RMB172.407 billion, an increase of 4.76% compared with the same period of the prior year. As at 31 December 2017, the Group's total loans and advances to customers amounted to RMB10,896.558 billion and the Group's total liabilities due to customers amounted to RMB13,657.924 billion, an increase of RMB923.196 billion or 9.26% and an increase of RMB718.176 billion or 5.55%, respectively, compared with the end of 2016. As at 31 December 2017, the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.15%, 12.02% and 14.19%, respectively, calculated according to the advanced approach under the CBRC 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 2017, the Bank had a total of 11,605 institutions worldwide, including 11,060 institutions in the Chinese mainland and 545 institutions in Hong Kong, Macau, Taiwan and other countries and regions. Its domestic commercial banking business comprised 10,674 institutions, including 37 tier-1 and direct branches, 336 tier-2 branches and 10,300 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 BOCG 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 11 of the world's 23 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

	For the year ended 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB million, except percentages)</i>					
Commercial banking business including:						
Corporate banking business . . .	74,011	33.20%	80,346	36.12%	90,515	39.09%
Personal banking business	80,985	36.34%	61,023	27.44%	50,696	21.89%
Treasury operations	52,876	23.72%	41,314	18.57%	78,321	33.82%
Investment banking and insurance	4,768	2.14%	3,951	1.78%	4,223	1.82%
Others and elimination	10,263	4.60%	35,778	16.09%	7,816	3.38%
Total	222,903	100.00%	222,412	100.00%	231,571	100.00%

The Group conducts its business activities in the Chinese mainland as well as 54 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

	For the year ended 31 December		
	2017	2016	2015
	<i>(RMB million)</i>		
Chinese mainland	159,067	143,008	176,817
Hong Kong, Macau and Taiwan	51,414	69,004	42,376
Other countries and regions	15,152	12,386	12,378
Elimination	(2,703)	(1,986)	–
Total	222,903	222,412	231,571

1. Domestic Commercial Banking

In 2017, the Bank’s domestic commercial banking business recorded an operating income of RMB365.470 billion, an increase of RMB6.230 billion or 1.73% compared with the same period of the prior year.

Corporate Banking

The Bank devoted great efforts to transforming its corporate banking business. It continues to promote product innovation, further optimise its customer structure, expand its customer base and enhance its diversified operations and the integration of its domestic and overseas operations. The Bank strived to improve its global service capability for corporate banking customers, thus achieving balanced and steady development of its corporate banking business. In 2017, the Bank’s domestic corporate banking business realised an operating income of RMB177.868 billion.

Corporate Deposits

The Bank accelerated the development of its corporate liability business and continuously improved financial service standards with the aim of realising sustainable growth in corporate deposits. Seizing business opportunities arising from key industries, the Bank strengthened marketing efforts across its full line of products. It managed to attract more administrative institution customers by improving product and service systems aimed at industrial customers engaged in supporting the people’s livelihood, public finance and social security, education and public health, etc., thus achieving 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 identify and attract more potential customer deposits. In response to the trend of interest rate liberalisation, the Bank insisted on maintaining the balance between scale and benefit, reinforced the improvement of product functions and stepped up its marketing efforts for cash management and other products. In addition, the Bank enhanced the service functions of its outlets so as to improve their corporate customer service quality and deposit contribution.

As at 31 December 2017, RMB corporate deposits in the Bank’s domestic operations totalled RMB5,495.494 billion, an increase of RMB281.704 billion or 5.40% compared with the prior year-end. Foreign currency corporate deposits totalled USD66.796 billion, an increase of USD12.253 billion or 22.46% compared with the prior year-end.

Corporate Loans

The Bank continued to strengthen its support for the real economy and implemented the concept of green finance, providing stronger credit support to key industries and segments including advanced manufacturing, modern services, infrastructure, energy conservation and environmental protection and expanding its business in strategic emerging industries. The Bank continuously improved its credit structure by making better use of new assets and revitalising existing assets, thus supporting the

transformation and upgrading of the domestic economy and fostering international collaboration on production capacity. In line with national strategies, the Bank stepped up support for key regions such as the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt and the Guangdong-Hong Kong-Macau Greater Bay Area, so as to advance the coordinated development of China's regional economies. The Bank stepped up the transformation of its corporate banking services and helped customers to broaden their financing channels so as to meet their diverse financing needs.

As at 31 December 2017, RMB corporate loans of the Bank's domestic operations totalled RMB4,761.874 billion, an increase of RMB264.986 billion or 5.89% compared with the prior year-end. Foreign currency corporate loans totalled USD51.786 billion, an increase of USD3.308 billion or 6.82% compared with the prior year-end.

Trade Finance and Services

The Bank fully leveraged its traditional advantages in trade finance, seized opportunities arising from national strategies, accelerated business model innovation and effectively managed risks, thus driving forward high-quality growth in its business and continuously consolidating its market dominance. In 2017, the Group's international trade transaction volumes reached USD3.95 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 and domestic factoring business.

Serving as a leader in cross-border RMB-related product and service innovation and as the main channel for RMB cross-border flows, the Bank steadily pushed forward RMB internationalisation and reinforced the RMB's stable position in the global monetary system. In 2017, the Group's transaction volume of cross-border RMB payment reached RMB3.83 trillion, among which RMB2.48 trillion was undertaken by the Bank's domestic institutions, maintaining the largest market share. The Bank also promoted the use of RMB in emerging sectors. For example, it helped the government of Hungary to issue sovereign Panda Bonds, the first issuance of its kind to be raised exclusively to support cooperation through the Belt and Road Initiative. The Bank became one of the first pioneer banks designated by the Shanghai International Energy Exchange to act as a margin depository bank for overseas crude oil futures customers, thus helping the RMB to enter the commodity trading and pricing system. The Bank also continued to release the "BOC Cross-border RMB Index (CRI)", "BOC Offshore RMB Index (ORI)" and the White Paper on RMB Internationalisation, providing comprehensive and professional support for global customers to understand and use the RMB. The Bank actively played its role as Chair of the China Foreign Exchange Committee, and as lead bank of the Retail Foreign Exchange and Cross-border RMB Business Working Group under the Committee, with the aim of improving self-discipline in the foreign exchange markets.

The Bank made steady progress in expanding its free trade zone ("FTZ") business, providing a full range of comprehensive financial services for key projects and customers in FTZs. By closely tracking the progress of preparations for setting up a third round of FTZs in Liaoning, Zhejiang and other provinces, the Bank was able to pioneer business in all FTZs from the first day that they were officially established. The Bank promoted its commodity financing business and improved the structure of its four commodity business centres in Shanghai, Singapore, London and New York. Due to constant efforts in business model innovation, the Bank also achieved breakthroughs in aircraft leasing factoring and re-factoring services. In addition, it provided its online "1+N" model for supply chain financing via bank-enterprise direct linkage and its online banking channel, and offered trade finance solutions to enterprises along the upstream and downstream chains of the core enterprises. It also participated in the Phase-I commercial paper trading platform of the Shanghai Commercial Paper Exchange Corporation Ltd., and made great efforts to promote its electronic commercial draft business. It constantly stepped up innovation in payment products, promoting new products such as BOC Global Payment Innovation (GPI), digital documents for international payment and centralised collection and payment products for multinational corporations.

The Bank was elected as Chair of the Banking Commission of the China Chamber of International Commerce (ICC China) and as a member of the Marketing & Communication Committee of Factors Chain International (FCI). It was also recognised as "Best Trade Finance Bank" and "Best Bank in Cross-border RMB Business" by prestigious media and professional institutions.

Cash Management

Drawing on the strength of its international operations, the Bank actively implemented the “Belt and Road” initiative and won a number of competitive bids for the cash management service contracts of multinational corporations, thus maintaining a leading market share in centralised operation services for cross-border local and foreign currency funds and FTZ business. Its global cash management group customer base increased rapidly, with overseas coverage as at 31 December 2017 extending to 50 countries and regions. Seizing the opportunities afforded by China’s drive to deepen reforms on all fronts, the Bank provided customers with standardised, tailor-made, flexible and efficient cash management services in a bid to facilitate the transformation of their management. Through stronger cash management product innovation, the Bank established a connectivity-based product system including the Global Cash Management Platform, Bank Host-to-Host Direct Connection, Swift Direct Connection and Multi-Bank Cash Management System.

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 enhanced its integrated and comprehensive financial services platform and maintained a leading position in terms of financial institution customer coverage. The Bank established correspondent relationships with almost 1,600 institutions in 178 countries and regions and opened 1,482 cross-border RMB clearing accounts for correspondent banks from 121 countries and regions, 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 199 domestic and overseas financial institutions, seizing the largest market share in the banking industry. The Bank’s custodian service for Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors ranked among the top in terms of both customer base and business scale. The Bank was appointed as the sole USD clearing bank by the Asian Infrastructure Investment Bank, and signed comprehensive strategic cooperation agreement with Shenzhen Stock Exchange and Dalian Commodity Exchange. To support the “Belt and Road” initiative, the Bank served as the partner bank of the Department of Finance of the Philippines for the 12th ASEAN Finance Ministers’ Investor Seminar, helped to organise the working meeting on the establishment of the Asian Financial Cooperation Association, and invited senior executives of financial institutions of the “Belt and Road” countries to attend the “Belt and Road” Forum for International Cooperation.

In 2017, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions. It also led its peers in B-Share clearing business volume. The inbound international settlement business volume directed to the Bank by its overseas correspondent banks also ranked first in the market. In addition, the Bank’s third-party custody business continued to grow rapidly, and its market share in annual fee income from bancassurance business further increased.

SME Finance

The Bank fully implemented national policy measures for the development of SMEs, and actively developed innovative service models to support their sustainable development. It actively promoted the building of the “five specialised operating mechanisms” of inclusive finance, continuously refined product and service systems for SMEs, upgraded its “BOC Credit Factory” service model and continued to promote the “investment and loan linkage mechanism” pilot programme. In 2017, loans granted to micro and small-sized enterprises in the Chinese mainland grew steadily, with the Bank satisfying the regulatory requirement of the “Three No-Less-Thans”, that is, a micro and small-sized enterprise loan growth rate of no less than the average growth rate of domestic loans, a number of micro and small-sized enterprise borrowers of no less than that of the same period of the prior year and a loan approval ratio for micro and small-sized enterprises borrowers of no less than that of the same period of the prior year. The Bank continued promoting and improving its cross-border investment matchmaking services to help SMEs break geographical, language and cultural barriers and boost the interconnection of global markets, technologies, talents and capital.

As at the end of 2017, the Bank has organised 41 cross-border matchmaking events, attracting over 20,000 SMEs from 80 countries and regions, and covering five continents. In 2017, the Bank held 18 cross-border matchmaking events focused on the theme of the Belt and Road Initiative and “16+1” cooperation. In

addition, the Bank continuously strengthened risk control and compliance management, improved its early-warning mechanisms on asset quality management, and further enhanced its capabilities in identifying and mitigating credit risk, thus keeping SME loan quality stable and controllable.

As at 31 December 2017, the Bank's outstanding loans to micro and small-sized enterprises¹ amounted to RMB1,457.8 billion, an increase of RMB172.9 billion compared with the prior year-end.

Pension Business

In an effort to support the development of China's social security system, the Bank continuously increased its pension-related product offerings, promoted product innovation, optimised service system functions and developed a comprehensive service system. It provided a range of pension-related financial services including enterprise annuities, occupational annuities, social security, employee benefit plans, employee stock ownership plans and pension security management products, thus enhancing customer satisfaction.

As at 31 December 2017, the total number of individual pension accounts held by the Bank reached 4.5160 million, an increase of 347,000 or 8.32% compared with the prior year-end. Assets under custody amounted to RMB192.240 billion, an increase of RMB34.920 billion or 22.20% compared with the prior year-end, with the Bank serving more than 10,000 clients.

Personal Banking

Seizing development opportunities brought about by the transformation of China's economic structure, the Bank closely follows the policies of interest rate and exchange rate liberalisation and the reform of RMB settlement accounts, etc., and continues to boost product competitiveness and further improved customer experience, thus gradually highlighting the strategic importance of personal banking.

In 2017, the Bank's domestic personal banking business realised an operating income of RMB141.296 billion, an increase of RMB8.076 billion or 6.06% compared with the prior year. For the same period, the Bank had an increase of RMB483.572 billion and RMB762.723 billion in domestic RMB deposits and domestic RMB loans, respectively, of which 41.75% and 65.26% were constituted by personal deposits and personal loans, respectively.

Personal Deposits

Leveraging its advantages in internationalised and diversified operations, the Bank actively addressed external challenges such as interest rate liberalisation. In addition to actively expanding core businesses such as salary payment agency, collection and payment agency, sweep agency and escrow agency, it continued to ramp up innovation in personal deposit products and provided customers with deposit products of different terms and types aimed at meeting their diverse needs. Leveraging its specialised advantages in cross-border business, the Bank strived to meet diverse customer demands for foreign exchange savings and settlement, including offering high-quality account opening witness agency service for cross-border customers. It diversified its personal foreign currency deposit products, increasing the number of foreign currencies offered by its personal deposit and withdrawal businesses to 25 and further sharpening its competitive edge in foreign exchange services. In addition, the number of convertible foreign currencies available to customers increased to 33, allowing the Bank to secure a leading position among its peers.

As at 31 December 2017, the Bank's domestic RMB personal deposits totalled RMB4,551.168 billion, an increase of RMB201.868 billion or 4.64% compared with the prior year-end. Personal foreign currency deposits amounted to USD47.481 billion, maintaining a leading position in terms of market share.

Personal Loans

The Bank deepened the transformation and innovation of its personal loan business in order to meet increasingly diversified consumer demands. The Bank carried out the state's real estate regulation policies and continued the development of its personal housing loan business, with particular focus on serving the

¹ Micro and small-sized enterprise loans statistical standards are executed in accordance with the *Guiding Opinions on Financial Services for Micro and Small-sized Enterprises in 2014* (Yinjianfa [2014] No. 7).

needs of households seeking to buy owner-occupied homes for the first time. It accelerated its consumer finance business, applied internet and big data technologies, improved risk management and control models and launched “BOC E-Credit”, a whole-process online consumer loan service. The Bank adjusted the industrial structure of its personal business loans, and provided distinct service models for different customer segments, such as customers targeted according to shopping districts or industry chains, those commonly engaged in agriculture-related businesses or poverty alleviation efforts. It continued to improve its government-sponsored student loan service and assumed its share of responsibility for poverty alleviation.

As at 31 December 2017, the total amount of RMB personal loans of the Bank’s domestic operations stood at RMB3,481.682 billion, an increase of RMB497.737 billion or 16.68% compared with the prior year-end. The Bank also maintained a leading market position in personal auto loans and government-sponsored student loans.

Wealth Management and Private Banking

The Bank accelerated the development of its wealth management business and continually improved its private banking service by steadily sharpening its competitive edge. Centering on customers, it promoted the transformation of its product sales and service modes, better allocated the assets of customers and refined their asset mix. It introduced a multi-layered integrated product selection platform and improved its product R&D mechanism so as to increase the competitiveness of its products. Armed with technologies including big data and artificial intelligence (AI), the Bank developed customer profiles and carried out targeted marketing campaigns. As a result, the number of personal customers and the scale of their financial assets under management both grew continuously. At the same time, the Bank intensified efforts to cultivate the teams of relationship managers and private bankers, established the BOC Wealth and Investment Academy and took enhanced steps to develop team members’ specialist professional skills. Many of the Bank’s wealth managers won gold and silver medals at the 2017 Forbes China Fullgoal Financial Planner Competition. In addition, the Bank capitalised on its advantages in cross-border operations by building the cross-border financial service centres with vigorous efforts and integrating the resources of its domestic and overseas institutions, and enhanced its cross-border financial services capabilities. It introduced a model that enabled it to offer integrated services to personal customers based in the Guangdong-Hong Kong-Macau Greater Bay Area, thus remarkably enhancing its capacity to serve its personal customers in a more coordinated way. The Bank continuously pushed forward its private banking business and optimised its global private banking network. The establishment of a Private Banking Service Centre affiliated to Bank of China (UK) Limited further enhanced the Bank’s ability to serve Europe-based high-net-worth customers. To better meet the needs of private banking customers, the Bank consolidated its innovations in customised discretionary asset management and family trust services by launching discretionary account-embedded family trust, life insurance trusts, charitable trusts and many other businesses. In addition, it reinforced its efforts to enhance the BOC privileged services platform, which offered themed activities in the four categories of charity, elite education abroad, business activities and travel, and culture and art appreciation. High-net-worth customers were entitled to a mix of upgraded and exclusive services. As at 31 December 2017, the Bank had set up 7,746 wealth management centres, 1,022 prestigious wealth management centres and 40 private banking centres in the Chinese mainland. Its private banking business experienced sustainable growth, with the Group managing RMB1.2 trillion of financial assets on behalf of private banking customers.

Bank Card

The Bank closely followed changes in markets and customer demand patterns, focused efforts on its target customers so as to improve their experience, and developed a distinctive product system with rich benefits and functions. Pursuing cooperation and crossover business model, the Bank focused on young and cross-border customers, launching diversified cross-border products such as PyeongChang Winter Olympic Credit Card, American Express Multi-Currency Credit Card, BOC Great Wall World Credit Card, Mastercard HKD/EUR Multi-Currency Titanium Credit Card, Visa HKD Multi-Currency Gold Credit Card, Visa EUR Zhuojun Platinum Credit Card, Mastercard GBP Zhuojun Platinum Credit Card, Australia Travel Credit Card and South Africa Travel Credit Card; themed products including BOC Despicable Me Franchise Credit Card and Jimi-themed Credit Card, and new products such as BOC China Mobile Co-branded Credit Card and BOC Vipshop Co-branded Credit Card. The Bank improved the instalments product system of its “EasyPay instalments + Scenario-oriented instalments + Customer-oriented instalments” products, introduced the first tailor-made “Easy Instalments Platinum Credit Cards” featuring

automatic instalments payment, and expanded its scenario-based instalments business through various models, receiving credit for its efforts in the form of the “2017 Best Auto Consumer Financial Service Bank” award. Meanwhile, it introduced the operation model of “Consumer Finance Centre + Consumer Finance Specialised Agency”, and made efforts to build a more professionally skilled team for its consumer instalments business. The Bank created an internet-based and resource-light customer acquisition model in order to realise channel mobility, scenario-based application and automatic examination and approval. It promoted the “BOC Smart Payment” aggregate payment and acquiring business in order to meet online and offline merchants’ diversified needs for accepting payments via various methods and value-added services, thus supporting the building of a closed-loop payment system. In addition, the Bank rebuilt its brand system and actively carried out a brand marketing campaign to increase its market influence. It carried out the 360-degree management of the customer card usage life cycle, improved customer retention strategies and promoted dynamic limit management, so as to forge an integrated service system.

As at 31 December 2017, the Bank’s cumulative number of effective credit cards totalled 68.2173 million, an increase of 14.97% compared with the prior year-end. In 2017, the instalment volume reached RMB258.990 billion, an increase of 22.05% compared with the same period of the prior year.

The Bank continued to improve its debit card product and service system through product innovation. It rolled out the EMV Great Wall Global Debit Card with the aim of ensuring that customers can use their cards overseas more securely and conveniently. It sped up the development of its online debit card business and put in place mobile payment functions such as UnionPay small-amount password-free quick payment. With the aim of using finance for the convenience and benefit of the people, it expanded its inclusive finance efforts to a wider range of sectors such as social security, medical treatment and campus services. As at the end of 2017, the Bank had 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. These cards delivered diverse financial services, including collection and payment agency in 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 a host of non-financial value-added services such as doctor appointment booking, specialised tour routes, discount coupons and doctor lectures. It also issued the resident health card with financial function in provinces such as Guangdong, Liaoning, Hebei, Guizhou and Sichuan, offering cardholders medical treatment payment and health management services across the country. In addition, the Bank cooperated with over 300 universities and colleges, realising the application of its rich-functionality debit cards on campuses.

The tables below set out the issuance amount and transaction volumes of the bank cards of the Bank during each specified period:

	As at 31 December		
	2017	2016	2015
	<i>Unit: million cards</i>		
Cumulative number of debit cards issued	482.9971	441.4327	419.4756
Cumulative number of effective credit cards issued	68.2173	59.3356	53.2818
Cumulative number of social security cards with financial functions issued	92.8136	83.7278	73.9719
	Year ended 31 December		
	2017	2016	2015
	<i>Unit: RMB billion</i>		
Transaction amount of debit cards	4,220.180	3,397.818	2,726.753
Instalments volume of credit cards	258.990	212.196	159.05

2. Financial Markets Business

Securities Investment

The Bank strengthened its research and judgment capabilities regarding market interest rates, actively seized market opportunities arising from interest rate changes, increased its investment in RMB interest rate bonds and high quality credit bonds, narrowed its credit risk exposure and rationally adjusted its investment portfolio duration, thus further optimising its investment structure. Consistent with national macroeconomic policy, the Bank participated in local government bond investment in a professionally sound manner. The Bank tracked trends in international bond markets and optimised its foreign currency bond investment structure, managing interest rate risk and credit risk more effectively. The Bank also promoted the unified operations and decision-making of its overseas institutions regarding bond investments in order to strengthen the centralised management of group-wide bond investment.

Trading

The Bank continued to sharpen its four core capacities of professional trading, professional services, risk management and control and IT application, thereby achieving steady and sound development in its trading business. It pushed ahead with the building of its overseas bond trading product line, set up a commodities trading desk in Singapore and improved its integrated global trading framework. In line with the “Belt and Road” Initiative, the Bank conducted Mongolian Tugrik trading against RMB, launched trading of RMB against Mongolian Tugrik and Cambodian Riel in the regional interbank market, and completed the first interbank transaction as one of the first group of quotation banks and participating banks. It also launched foreign exchange trading in 14 emerging market currencies including the Ghana Cedi, Sri Lankan Rupee and Bangladeshi Taka, bringing the total number of tradable foreign currencies up to 61. The Bank enriched its hedging and trading product systems and rolled out new products such as quanto, silver forward trading denominated in RMB and personal crude oil trading, and added 14 forward hedging products for commodities trading. It maintained the leading market share in foreign currency exchange against RMB.

The Bank strengthened business support from the Head Office and its overseas trading centres to its regional branches, enhancing its capacity to serve customers all over the world. Leveraging its advantages in professional quotation and its priority focus on compliance, the Bank steadily tapped into interbank customers’ demands. It enhanced cooperation between its trading business and traditional banking business and provided a full range of services to satisfy customers’ needs in hedging against risks relating to exchange rates, interest rates and commodity prices. It held special events such as “BOC Personal Foreign Exchange and Option Trading Competition”, “2017 BOC Gold Exchange Agency Trading Competition” and “2017 BOC E Rong Hui Trading Competition”, involving customers in prize assessment so as to increase its personal customer coverage. Following trends in internet finance and the application of big data, it further optimised its online trading services by promoting the “E Rong Hui” comprehensive trading brand, in an effort to improve service efficiency and customer experience. It actively engaged in the opening up process of domestic financial markets, continuously promoted its agency business in the interbank bond and foreign exchange markets, expanded the “Bond Connect” business by harnessing the advantages arising from cooperation among the Group’s institutions, and further consolidated its trading relationships with overseas institutional investors.

The Bank continued implementing regulatory standards related to mandatory margin, central clearing and transaction reporting, etc. in line with key international regulatory acts with the aim of mitigating risks and sharpening its competitiveness in quotation.

Investment Banking and Asset Management

The Bank leveraged the competitive advantages of its international and diversified operations and 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 and M&A and restructuring. To facilitate the construction of China’s multi-layered capital markets system and to support customers’ direct financing needs, it underwrote debt financing instruments for non-financial institutions in China interbank market with a total amount of RMB240.9 billion. The Bank maintained the leading market share among all commercial banks in the interbank market in terms of asset securitisation underwriting. 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 asset-backed notes (ABN) to feature both “green” underlying assets and “green” use of proceeds. Proactively exploring financial solutions for poverty alleviation, the Bank acted as sole underwriter for the special poverty alleviation notes issued by Shanxi Road and Bridge Construction Co., Ltd., with all proceeds used for road construction projects in poverty-stricken areas. Moreover, the Bank enhanced its cross-border competitiveness. It held the leading market share in Panda Bonds business, assisting offshore issuers such as the governments of Hungary and the Canadian Province of British Columbia in issuing Panda Bonds. The Bank also supported the MOF’s issuance of USD2.0 billion of sovereign bonds by acting as joint lead manager and joint bookrunner, thus facilitating the establishment of the pricing benchmark for China’s foreign currency-denominated bonds and completing the yield curve of foreign currency-denominated sovereign bonds. It captured the leading market share as an underwriter of Chinese enterprises’ offshore G3 currency (i.e. USD, EUR and JPY) bonds, and ranked first in terms of “Bond Connect” primary market underwriting volumes. services including financing plans, cross-border finance advisory, M&A and restructuring advisory and asset securitisation, so as to satisfy customers’ diverse financial needs. The Bank steadily promoted its credit asset-backed securitisation business and stepped up the structural optimisation of its existing assets, issuing three residential mortgage-backed securities with a total amount of RMB25.659 billion and two non-performing credit asset-backed securities with a total amount of RMB0.724 billion. It also issued the first local government bond-backed securitisation products in overseas markets with a total amount of USD0.632 billion.

In response to trends in the asset management industry, the Bank improved its asset management system, promoted the transformation of its asset management product offerings and expanded products without predetermined yields, to refocus on the core substance of asset management business. It enhanced investment capability building and established professional asset management teams in order to raise its core competitiveness. It optimised its asset allocation structure, enriched its investment targets and channels, and strengthened investment portfolio risk management, so as to achieve the optimal equilibrium between risk and yield. In addition, the Bank launched the Global Asset Management System, integrating front, middle and back office operations. It leveraged advantages of its internationalised operations to accelerate the growth of its overseas asset management business. In 2017, the Bank issued 8,414 wealth management products with a total year-end value of RMB1,515.9 billion, including RMB1,157.7 billion of non-principal-guaranteed financial products and RMB358.2 billion of principal-guaranteed financial products.

Custody Business

Faced with a changing environment, the Bank pushed forward product innovation, tailored its services to different customers, optimised its business processes and practised all-round risk control so as to achieve continued growth of custody assets. The Bank seized market opportunities, accelerated the R&D and promotion of custody products including pension fund, securitisation, industry fund and fund administration, and built on the sales performance of its basic pension fund business. The Bank constantly improved the competitiveness of its global custody services by setting up a cross-border product system, creating a linked sales network, promoting the functional integration of its global custody system, enhancing both the scale and service level of its overseas custody centres and building a cross-border custody service network with overseas institutions and foreign custodian banks complementing each other. The Bank also sped up the construction of its online custody service so as to improve the “smart” experience of the client.

As at 31 December 2017, the Group’s asset under custody reached RMB9.53 trillion.

Village Bank

BOC Fullerton Community Bank actively implemented national strategies on agriculture, farmers and rural areas, 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 farmers, micro and small-sized enterprises, individual merchants and the wage-earning class, thus promoting the construction of China’s “New Countryside”. BOC Fullerton Community Bank significantly expanded its institutional reach with a focus on counties in central and western regions where financial services were previously lacking. As at 31 December 2017, BOC Fullerton Community Bank controlled 95 village banks and had 118 sub-branches in 19 provinces (including municipalities directly under the Central Government) via self-establishment and acquisition. BOC Fullerton Community Bank has become the largest domestic village bank in terms of total institutions and business scope.

As at 31 December 2017, the registered capital of BOC Fullerton Community Bank amounted to RMB4.751 billion and the total assets and net assets of these banks stood at RMB43.463 billion and RMB6.127 billion respectively. The balances of total deposits and loans of these banks were RMB28.135 billion and RMB27.448 billion respectively, an increase of 39.15% and 48.28% compared with the prior year-end. The NPL ratio was 3.23% and the ratio of allowance for loan impairment losses to NPLs stood at 196.93%. As at 31 December 2017, BOC Fullerton Community Bank achieved a profit for the period of RMB457 million.

In April 2017, the Bank announced that it had entered into a share transfer agreement with China Development Bank Co., Ltd. in relation to the acquisition of the shares of 15 village banks, thus building the largest village bank group in the PRC.

3. Overseas Commercial Banking

In 2017, the Bank promoted the establishment of overseas institutions in an organised manner and pushed forward the integrated development of its domestic and overseas operations, thus continually enhancing its global service and support capacities and sharpening its market competitiveness.

As at 31 December 2017, the balance of due to customers and loans of the Bank's overseas commercial banking operations amounted to USD426.760 billion and USD351.289 billion respectively, an increase of 14.46% and 13.84% compared with the prior year-end. In 2017, the Bank's overseas commercial banking operations achieved a profit before income tax of USD8.468 billion, accounting for 25.61% of the Group's total profit before income tax. The Bank continued to lead its domestic peers in international operations in terms of business scale, profitability and the overall proportion of its internationalised business.

Regarding branch distribution, the Bank proactively kept up with the financial services demands of global customers, accelerated the distribution of institutions in countries along the "Belt and Road", so as to improve its global service network and provide comprehensive financial services for customers.

As at 31 December 2017, overseas institutions of the Bank totalled 545, covering 53 countries and regions across six continents, with three new countries added during the year.

For corporate banking, the Bank continued to expand the overseas base of local customers and further improved its global multi-layered customer service system and cross-border financing product and service system. Through high-end products including syndicated loans, project financing, M&A financing, leverage financing and private equity financing, the Bank supported Chinese enterprises' cross-border investment activities as well as their international collaborations in production capacity. It also supported the internationalisation of overseas enterprises through large cross-border projects in global infrastructure construction, energy and mineral resources, equipment manufacturing and cooperation in mutually advantageous production capacity. In addition, the Bank strengthened business cooperation with domestic policy financial institutions, international multilateral organisations and guarantee agencies, so as to provide more support and deliver better services to the major projects of countries along the "Belt and Road".

For personal banking, the Bank provided "one-stop" financial services for personal "Going Global" customers by leveraging the advantages of its global network. It continued to expand its overseas account opening witness service, covering 18 countries and regions in North America, Europe, Asia and Australia. 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", "Golden Years" in Australia and "Sail in Lion City" in Singapore. The Bank pushed forward the development of its cross-border payment business, and continuously launched various marketing activities including "Global Splendours in One Card" and "BOC Overseas E-shopping" with the aim of building a cross-border financial ecosystem. It upgraded the "basic cashback + products cashback + additional special offers" marketing system, and built a new column for cross-border banking so as to integrate outbound services, popular regions, BOC Overseas E-shopping and overseas cards and services. In addition, the Bank expanded its card issuance and acquiring business, advanced the R&D of such new products as Sydney UnionPay Rewards Credit Card, Singapore BOC Sheng Siong Co-branded Card and BOC Zaobao Co-branded Credit Card with innovative functions, and rolled out QR code payment and Financial IC Card Quick Pass functionality abroad so as to promote the electronic services of its overseas credit cards. It also optimised the framework of its overseas debit card and issued UnionPay dual-currency (RMB and local currency) debit cards and Visa and MasterCard single-currency debit cards. Overseas institutions of the Bank that issued debit card products now cover 18 countries and regions.

For financial markets business, the Bank continued to leverage its advantages in cross-border operations, actively extended its primary RMB quotation business in Korea, Russia and Macau, conducted market-making business for exchange-based RMB futures in Singapore, Taiwan and Korea, and made further progress in developing its debt hedging business in Australia and other countries and regions, thereby further enhancing its capacity to serve overseas customers. In response to RMB internationalisation, the Bank accelerated the development of its global custody system and improved its global network. It continually improved its overseas custody service capability and provided integrated services for the cross-border investment of QDIIs, QFIIs and other “Going Global” and “Bringing In” customers, thus further improving its market ranking and market share in the cross-border custodian business. In international markets, the Bank successfully issued a USD3.6 billion equivalent bond to support the Belt and Road Initiative and a USD1.5 billion equivalent “Climate Bond”, raising mid-and long-term financing support for Belt and Road-related projects and green projects.

For clearing business, the Bank continuously improved its cross-border RMB clearing capabilities and consolidated its position on the leading edge of international payments. In 2017, the Bank’s cross-border RMB clearing transactions totalled RMB349.68 trillion, an increase of 12% compared with the same period of the prior year, maintaining first place in global market. The Bank successfully joined the UK’s Clearing House Automatic Payment System (CHAPS) as a shareholder and as the first Asian full direct participant. It joined SWIFT Global Payment Innovation (GPI), sent out the first GPI payment globally and launched “BOC-GPI” (Bank of China, Global Payment Intelligence) remittance product, significantly enhancing customer experience in the field of cross-border payment. The Bank launched the Global Unified Payment Platform (GUPP) in the Head Office and domestic branches, linking the domestic and overseas payment network and making it a fund expressway for the Bank.

For e-banking, the Bank further expanded the coverage of its overseas e-channel services, promoting overseas online services in Bank of China Srbija A.D. Belgrade, Qatar Financial Centre Branch, Bank of China (UK) Limited Dublin Branch, Colombo Branch, thus extending its overseas presence to 46 countries and regions.

In addition, it rolled out online banking in the Thai, Portuguese and Vietnamese languages, bringing the number of countries and regions with BOC online banking services to 46. It further improved corporate online banking services for cross-border groups and documents services for international settlement.

Bank of China (Hong Kong) Limited

In 2017, BOCHK implemented the Group’s strategies, captured development opportunities in the market and achieved satisfactory performance in its core businesses. Its major financial indicators remained at solid levels with good results achieved in key business areas. It proactively pushed forward business restructuring in the ASEAN region and further optimised its regional operations. It continued to develop the Hong Kong market and remained committed to expanding its cross-border business. It also accelerated business diversification and saw good results in the development of its key business platforms. BOCHK continued to integrate its business channels and promote technological innovation (including in financial technology (FinTech)) in order to raise the intelligent service levels of its products and services.

As at 31 December 2017, BOCHK’s issued share capital was HKD52.864 billion, total assets amounted to HKD2,645.753 billion and net assets reached HKD247.344 billion. In 2017, BOCHK achieved a profit for the period of HKD31.837 billion.

BOCHK stepped up regional asset integration and further optimised business coverage. In March 2017, BOCHK completed the disposal of Chiyu Banking Corporation Limited. It continuously pushed forward its business restructuring in the ASEAN region with the completion of its share acquisition of Bank of China (Thailand) Public Company Limited in January. It completed the acquisition of the Indonesia Business and Cambodia Business of the Bank in July and November respectively. In November, it entered into agreements with the Bank in relation to the transfer of the Vietnam Business and Philippines Business, subsequently completing both acquisitions in January 2018. BOCHK continued to leverage its competitive advantages in Hong Kong and to refine the management mechanism of its ASEAN entities, while promoting regional synergies and pushing forward its transformation into an internationalised regional bank.

By leveraging its competitive edge, BOCHK outperformed the market in key business areas. Total deposits and loans grew satisfactorily ahead of the market, which further increased BOCHK’s market share in Hong Kong. Its asset and liability structure was also optimised, with asset quality outperforming the local

market. In addition, it diversified its corporate finance business and arranged a number of major syndicated loans, financing projects for cross-border merger and acquisition transactions and major bilateral financing. As a result, BOCHK remained the top mandated arranger in the Hong Kong – Macau syndicated loan market. It also made progress in product and service innovation and continued to increase its market share in the local industrial and commercial sector. Moreover, BOCHK maintained its leadership in the UnionPay merchant acquiring and card issuing business in Hong Kong. Other developments during the period included the acquisition of government and institutional customers and the deepening of the new service model for its wealth management business. It also continued to enrich its product offering and refine its business structure, which resulted in further growth in the number of mid-to high-end customers and the scale of assets under wealth management.

BOCHK capitalised on the Group’s global network coverage and expanded its cross-border business. Through strengthened collaboration within the Group and a focus on product and service innovation, BOCHK made a concerted effort to explore business opportunities through the “Belt and Road” initiative and in the ASEAN region. BOCHK remained committed to providing a diversified range of financial services to Chinese enterprises’ “Going Global” initiatives and corporates in countries along the “Belt and Road”. It continued broadening its cooperation with non-Chinese and leading local enterprises, thereby further increasing its market share and influence in the ASEAN region. Additionally, BOCHK enhanced its business development in FTZs, captured opportunities arising from the Guangdong-Hong Kong-Macau Bay Area and established additional cross-border financial service centres. BOCHK enhanced its cross-border service model and market competitiveness by focusing on service sharing, product innovation, unified branding, business collaboration and the development of its distribution channels, which in turn led to a satisfactory increase in the number of cross-border customers.

BOCHK elevated its competitive edge in the financial markets and expedited the development of its key business platforms. It made progress in enhancing its trading capabilities and income generation through customised products and services tailored to clients’ treasury needs. It continued to establish business relationships with overseas central banks and international sovereign institutions for diversified income generation. In addition, BOCHK reinforced its leading position in the banknote market and became the world’s sole overseas operating bank of EURO Extended Custodial Inventory (ECI). It also supported Guangxi Branch’s establishment as the ASEAN Currency Banknote Centre in order to proactively acquire new customers for its ASEAN banknote business. In the global RMB clearing business, BOCHK expanded its competitive advantage and achieved stable growth in clearing business conducted through China’s CIPS. It acted as the sole designated bank for the Hong Kong Central Moneymarkets Unit for providing cross-border fund settlement services for institutions in both Hong Kong and the Chinese mainland, while also providing comprehensive services for institutions relating to “Bond Connect”. It also continued to step up efforts to diversify its operations and further develop key business platforms, including credit cards, private banking, life insurance, asset management, cash management, custody and trust as well as securities and futures with the aim of providing customers with a wider range of financial services, increasing income from diversified business operations and creating new competitive advantages.

BOCHK strengthened innovation in FinTech in order to improve customer service efficiency. Both online and offline channels were integrated into BOCHK’s commitment to enhancing internet finance and improving customer experience through “smart” products and services. As a result, BOCHK experienced a further increase in the total number of e-channel customers and the total number of transactions. BOCHK invested further in FinTech innovations by incorporating big data analysis and enriching scenario-based applications. In addition, it launched blockchain technology applications for trade finance and applications in biometric identification such as fingerprint, finger vein and voiceprint authentication, all of which formed part of its efforts to offer customers a safer and more convenient banking experience. BOCHK also stepped up the development of mobile payment services and its diversified service platform for cross-border business by actively cooperating with internet and telecommunication companies as well as financial institutions. By deepening its branch network transformation, BOCHK utilised its most extensive network coverage in Hong Kong and refined its overall service capabilities for personal and corporate customers. It also enhanced the “smart” service levels of its network and strengthened service delivery to mid-to high-end personal clients, SME customers and cross-border customers, which led to notable improvement in the overall productivity of its network.

BOCHK received a number of awards in 2017, including “Strongest Bank in Asia Pacific and Hong Kong” and “Best Trade Finance Bank in Hong Kong” from The Asian Banker, “Bank of the Year in Hong Kong 2017” from The Banker, “Hong Kong Domestic Cash Management Bank of the Year”, “Hong Kong Domestic Foreign Exchange Bank of the Year”, “Mobile Banking Initiative of the Year – Hong Kong”,

“Digital Banking Initiative of the Year – Hong Kong” and “Online Securities Platform of the Year – Hong Kong” from Asian Banking and Finance and “Best FinTech (Emerging Solutions/Payment Innovation) Gold Award” at the Hong Kong Information Communications Technology Awards 2017. It also received the “Best SME’s Partner Gold Award 2017” from the Hong Kong General Chamber of Small and Medium Business.

4. Diversified Business Platforms

The Bank gave full play to the competitive advantages arising from its diversified business platforms and actively seized opportunities arising from the “Belt and Road” initiative and the development of national multi-layered capital markets. By focusing on its specialised business areas, deepening business collaboration and promoting cross-selling and product innovation, it enhanced synergies across the Group while providing comprehensive and high quality financial services to customers.

Investment Banking Business

BOC International

The Bank is engaged in investment banking through BOC International. As at 31 December 2017, BOC International had issued share capital of HKD3.539 billion, total assets of HKD72.138 billion, net assets of HKD17.736 billion, and realised a profit for the period of HKD2.077 billion.

BOC International proactively grasped the strategic opportunities arising from the “Belt and Road” and Chinese enterprises’ “Going Global” initiatives, mixed ownership reforms of state-owned enterprises and the development of the Guangdong-Hong Kong-Macau Bay Area. It constantly strengthened market judgment capabilities, reinforced internal controls and improved risk management practices. With the guiding principle of “customer-led, technology-assisted, innovation-driven”, BOC International strived to establish interconnected and multilateral partnerships and to build a customer-focused ecosystem based on “cooperation for mutual growth and prosperity”.

Optimising its merger and acquisition business structures while enhancing its global service capabilities, BOC International steadily expanded its equity underwriting and financial advisory business. Its bond issuance and underwriting businesses continued to maintain a leading position in the debt capital markets, and it continued to expand its footprint in Southeast Asia and Europe. By strengthening cross-selling, reactivating inactive clients and steadily enhancing its trading system, BOC International maintained its leading positions in terms of brokerage and equity derivative businesses in Hong Kong.

BOC International further promoted cross-border cooperation and expanded its sales and service network. By continuously investing in research, BOC International enhanced its cross-border research capability, accurately grasped the global pulse of market trends and improved its value and influence as a “think tank”. BOCI-Prudential Asset Management Limited maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macau Pension Fund businesses. New funds were launched to further enrich the variety of its investment fund offering. In addition, a sub-fund of its fund series was approved to be registered under the Chinese Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme. The MPF Scheme managed by BOCI-Prudential Asset Management was selected by the Hong Kong Housing Authority to be one of three MPF Schemes offered to its employees.

BOC International seized opportunities arising from capital market developments in the Chinese mainland, strengthened cross-border business cooperation and explored high quality projects in line with industry development trends. By establishing both an onshore and offshore commodities business platform, building a cross-border trading channel and continuously strengthening its clearing system, BOC International provided clearing services on the London Metal Exchange (LME) and Intercontinental Exchange Europe (ICE Europe) to Chinese securities firms. It strengthened its private banking and asset management service platforms and steadily developed its trust business by setting up BOCI Trustee (Hong Kong) Limited, the first overseas trust company of the Group. BOCI conformed to the market trend and launched several new products, such as family trust, to further broaden its revenue sources.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. As at 31 December 2017, the registered capital, total assets and net assets of BOCI China were RMB2.500 billion, RMB46.522 billion and RMB11.574 billion, respectively. It realised a profit for the period of RMB1.060 billion for 2017.

BOCI China made effort to push forward the transformation and development of its various businesses and to enhance its core competitiveness by emphasising a customer-centric approach, adhering to a robust and aggressive development principle and holding fast to the risk compliance bottom line. It further transformed its investment banking business to a diversified model, namely “investment bank + commercial bank”, “investment bank + investment” and “domestic + overseas”. In particular, it promoted a shift towards wealth management for its brokerage business and improved the versatility of its branches.

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at 31 December 2017, BOCIM’s registered capital, total assets and net assets totalled RMB0.1 billion, RMB3.825 billion and RMB2.838 billion respectively. BOCIM realised a profit for the period of RMB0.980 billion.

BOCIM sustainably strengthened internal control, steadily expanded its asset management business and further enhanced its comprehensive strengths. As at 31 December 2017, BOCIM’s AUM reached RMB822.0 billion. In particular, its public-offered funds reached RMB362.5 billion, an increase of 5.96% compared with the prior year-end, and its non-monetary public-offered funds reached RMB232.8 billion.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at 31 December 2017, BOCG Insurance reported issued share capital of HKD3.749 billion, total assets of HKD8.064 billion and net assets of HKD4.039 billion. In 2017, BOCG Insurance achieved gross written premiums of HKD2.112 billion and a profit for the period of HKD123 million, remaining at the forefront of the Hong Kong general insurance market in terms of gross written premium.

BOCG Insurance has accumulated a strong base of high-quality customers in Hong Kong market and deep experience in insurance underwriting and industry-leading underwriting proficiency. In line with the development strategy of “Foothold in Hong Kong, Move in Concert with the Chinese mainland, Dedicate to the Group, Uplift Core Value”, BOCG Insurance served the construction of the financial artery of the “Belt and Road” initiative and the development of the Guangdong-Hong Kong-Macau Greater Bay Area in 2017, so as to give full play to the unique value of its comprehensive financial services and provide benefit to all of its valued customers.

In keeping with the technology-driven development strategy, BOCG Insurance pushed forward technological innovation, data applications and the transformation of its system architecture and customer services. In line with its mid-and long-term development plan, it accelerated the updating and upgrading of its core systems and thereby improved its overall digitalisation capabilities.

Based on the market development strategy of “Deepen Services in Hong Kong, Refine Business Approach in the Chinese Mainland, Reach Out to Overseas Markets, Widen Brand Awareness”, BOCG Insurance served “Going Global” Chinese enterprises as well as local large Chinese enterprises. It also devoted itself to business cooperation across platforms in Guangdong, Hong Kong and Macao.

Further, BOCG Insurance continuously deepened the communications with the insurance businesses of the Group and facilitated the cooperation with other companies in the same industry and in overseas markets, thus enhancing the popularity of its brand.

BOCG Life

The Bank is engaged in life insurance business in Hong Kong through BOCG Life. As at 31 December 2017, BOCG Life’s issued share capital was HKD3.538 billion, total assets amounted to HKD130.596 billion and net assets amounted to HKD8.833 billion. In 2017, BOCG Life recorded a profit for the period of HKD1.184 billion.

BOCG Life made use of its multiple distribution channels to develop innovative products and value-added services, which further enhanced its competitiveness. Products launched during the review period included SmartUp Whole Life Insurance Plan, Target 5 Years Plus Insurance Plan, Enhanced Hospital & Surgical

Rider, BestCare-Pro Critical Illness Plan and MaxiGrowth ULife Insurance Plan and SmartRetire Annuity Insurance Plan. These products have been meeting the needs of local and high net worth customers as well as visitors to Hong Kong. BOCG Life also made use of innovative technology to improve customer experience by launching the first online hospital cash claims platform in Hong Kong, namely “Easy Claims”, for real-time approval. Additionally, it pioneered the adoption of Electronic Bill Presentment and Payment service for premium payments. New customer service centres were also set up by BOCG Life, which came equipped with facilities such as a “pre-underwriting engine”, the first of its kind in the market. This enabled it to provide a one-stop integrated life insurance services for visitors to Hong Kong and high-end customers.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at 31 December 2017, BOC Insurance recorded registered assets of RMB4.535 billion, total assets of RMB12.411 billion and net assets of RMB3.668 billion. In 2017, it realised gross written premiums of RMB5.768 billion, and a profit for the period of RMB183 million.

In 2017, BOC Insurance continued to improve its customer-centred marketing management system and advanced its customer group building strategy. It made progress in the expansion of major domestic projects and realised a year-on-year growth of 31.1% in premium income from customers with premiums higher than RMB1 million. It accelerated the pace of its overseas business development and facilitated the establishment of a BRICS insurance and re-insurance support system. It also actively responded to the “Belt and Road” initiative, supported large domestic enterprises in their “Going Global” efforts, and operated overseas insurance-related programmes in nearly 60 countries and regions, with a year-on-year increase of 37.7% in premium income, thus securing a leading position in the overseas insurance markets. Through new channels such as “direct mailing + telesales”, WeChat and APPs, BOC Insurance enriched its online service functions and expanded its personal accident insurance and health insurance products, reporting a year-on-year growth of 35% in premium income. Adhering to the concept of “creating value with professionalism, winning customers through services”, BOC Insurance increased technology input, made innovations in service approaches and properly settled major claims, thus continuously enhancing its service quality.

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 2017, BOC-Samsung Life recorded registered capital of RMB1.667 billion, total assets of RMB12.985 billion and net assets of RMB1.180 billion. In 2017, it realised written premiums and premium deposits of RMB7.075 billion and a profit for the period of RMB19 million.

BOC-Samsung Life focused on the core essence of insurance and vigorously developed regular premium sales and high-value business so as to optimise its business portfolio. In 2017, BOC-Samsung Life realised a 111% year-on-year increase in regular premiums sales and a 196% year-on-year increase in long-term savings revenues and risk protection business premiums. It accelerated the promotion of its investment capability, improved its credit rating system, developed its investment management system and obtained CIRC credit risk management qualification recordation. Aiming to improve customer services, it added life insurance sales to BOC “smart counters”, provided automated self-service online application services through its official website, launched a mobile application for group medical insurance self-service claims, added self-service policy endorsement functionality to WeChat-based services and set up a new service hotline. It also carried out supply-side structural reform in product innovation, introducing pension annuity product “ZunXiangJinSheng” for retired people, upgrading life insurance product “ZunXiangJiaYing 2” for mid-and high-end customers, launching medical insurance product “AnYouXiangBan” and critical illness insurance product “XiangYou”, in line with customers’ differentiated demands.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. As at 31 December 2017, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD101.344 billion and net assets of HKD57.550 billion. In 2017, it recorded a profit for the period of HKD3.043 billion.

BOCG Investment implemented the Group's overall strategies, steadily pushed forward its fund management model, gradually realised its business transformation from "investment" to "investment + investment management" and continued to increase its operating strength. It grasped business opportunities brought about by the "Belt and Road" initiative, accelerated the expansion of its investment structure, participated in investing in the world's leading logistics industry project and prepared the BOC Overseas Fund. It supported the country's new urbanisation plan by initiating the establishment of the "BOC Feature Towns Construction Fund", the first of its kind in the Chinese mainland. BOCG Investment adhered to market-oriented operations, substantially enhanced its financial efficiency and exploited investment opportunities in emerging industries. It also expanded its asset securitisation businesses and launched the "BOC – CMS Beijing Metro World Centre ABS", the first of its kind for a bank. It diversified its financing channels and issued the first interbank venture capital Panda Bond in the Chinese mainland market. It also innovated the model of targeted poverty alleviation by setting up the "BOC Western China Logistics Fund" and establishing the "BOC Philanthropy" platform.

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 2017, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD16.040 billion and net assets of USD3.819 billion. In 2017, it recorded a profit for the period of USD0.587 billion.

BOC Aviation continued to pursue sustainable growth, expanded its balance sheet steadily and promoted its position and influence in the aircraft leasing industry. Actively supporting the "Belt and Road" initiative, it leased more than 65% of its aircraft to airlines of the "Belt and Road" countries. Actively targeting customer demand, the company built on its existing order book and took delivery of 74 aircraft, all of which have been placed on long-term leases, making a historical record high. During the year, BOC Aviation signed 103 leases for future deliveries and added 17 new customers. The company consistently sought to optimise its asset structure and improve its sustainable development. It sold 30 aircraft in 2017, leaving it with an average owned fleet age of three years (weighted by net book value) as at year-end, one of the youngest aircraft portfolios in the aircraft leasing industry.

BOC Asset Investment

The Bank is engaged in debt-for-equity conversion and related business in the Chinese Mainland through BOC Asset Investment. As a wholly-owned subsidiary of the Bank, BOC Asset Investment commenced operation in November 2017, following CBRC approval, with registered capital of RMB10 billion.

Adhering to the Group's strategy, BOC Asset Investment actively implemented the strategic decision of the state to deepen 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 their leverage ratios and improve their market value, thus effectively serving the real economy and preventing and mitigating financial risks. In December 2017, BOC Asset Investment completed its first project by investing in a market-oriented debt-for-equity conversion project for Aluminum Corporation of China.

5. Service Channels

As the most internationalised and diversified bank in China, the Bank established specialised and diversified service channels and provided comprehensive financial services to customers in the Chinese mainland and many countries and regions. It was also dedicated to advancing the coordinated development of its physical outlets and e-channels, as well as providing customers with an integrated and consistent experience through interactions across different channels. By integrating IT systems and financial services, the Bank has streamlined its banking services and ensured that "one-point access" will trigger "whole-process response", allowing it to satisfy customers' needs anytime, anywhere.

Outlet Development

The Bank continued to carry forward its programme to upgrade outlets towards smarter functionality. Triggered by the investment in “smart counters”, it promoted the transformation of outlets in terms of outlet hall management, labour integration, sales service concepts and risk control systems. In this way, it enhanced its outlets’ adaptability to the “new normal” of financial competition in the internet era. As at 31 December 2017, a total of 8,526 outlets in the Chinese mainland had completed the further upgrade and transformation towards smarter functionality, which led to significantly optimised business processes and improved customer experience.

The Bank consistently improved the management and operations of its outlets. It continued to optimise its outlet performance evaluation system. The Bank differentiated the competitive advantages of its outlets, accelerated their development and transformation, extended its service channels and improved its financial services in county regions. It allocated more marketing personnel to its outlets with the aim of improving their overall marketing capacity. It also reinforced the risk management of various businesses within the outlets to improve comprehensive efficiency in business growth.

As at 31 December 2017, the Bank’s domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised 10,674 branches and outlets, domestic non-commercial banking institutions totalled 386, and institutions in Hong Kong, Macau, Taiwan and other countries and regions totalled 545.

Internet Finance

The Bank accelerated the development of its internet finance business and gave shape to a unified portal for mobile finance. In 2017, the Bank’s substitution ratio of e-banking channels for outlet-based business transactions reached 94.19%, while its e-channel transaction amount reached RMB192.40 trillion, an increase of 19.73% compared with the prior year. Specifically, mobile banking transaction volumes reached RMB10.97 trillion, an increase of 60.25% compared with the same period of the prior year, making mobile banking become the online trading channel that has the most active personal customers.

Items	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
	<i>(in millions)</i>		
Number of Corporate Online Banking Customers	3.419	3.1408	2.8505
Number of Personal Online Banking Customers	147.9722	133.7110	122.4606
Number of Mobile Banking Customers	115.3257	94.3995	79.9885
Number of Telephone Banking Customers	113.3691	111.2993	105.4931

The Bank further deepened data application. Taking advantage of internet model and new technologies, it improved e-banking services, advanced product innovation and developed scenario-based finance. Using advanced technologies such as fingerprint authentication, OCR identification, face recognition and “Face ID”, the Bank improved the security and convenience of its mobile banking services. It integrated its portals, information, products and procedures to make them more customer-centred. As a result, it saw effective improvement in channel functions, providing a better customer experience than its peers. It also developed new functions for its e-banking channels. For example, it launched pioneering functions such as “BOC Global Payment of Intelligence (GPI)” and “SFTP Bank-Enterprise Direct Link” in personal online banking and corporate online banking, introduced “BOC E-Credit” application and one-to-one customer manager services to its WeChat banking services, and extended its SMS channel to more overseas institutions.

The Bank sped up the development of online consumer loans, made continuous efforts to grow its “BOC E-Credit” customer base, developed models to identify high quality corporates and personal customers and established a product incubation mechanism. It continued to push forward online payment, rolled out UnionPay QR Code payment product ahead of its peers and made overall plans to develop Near Field Communication (NFC) products. It actively helped China Nets Union Clearing Corporation and UnionPay to integrate banking applications in an effort to facilitate the regulated development of the online payment

industry. In terms of online asset management, it added more functions to the BOC financial supermarket, such as balance wealth management and securities trading, which enabled it to offer one-stop integrated financial services that satisfy customers' demands and thus realise rapid growth in relevant business volumes. The Bank pushed forward "E Rong Hui" Version 2.0, a mobile fund trading application offering Paper Crude Oil, mock trading and other new services.

The Bank expanded its online scenarios for cross-border business and transformed the "BOC Easy-trade Cyber-tariff" system in cooperation with the regulators, maintaining a market-leading share with an increase of 1.11 percentage points compared with the prior year-end. The BOC E-commerce platform piloted the marketing model of "Webcasting + E-commerce". It deepened the application of big data, conducted customer asset enhancement pilot projects to support precision marketing, launched the "New Generation Concurrent Risk Control System in Internet Finance" in the field of risk management and control, and improved enterprise risk profiling, including correlation risk, by taking advantage of internet data. The Bank also adopted new approaches to support cross-industry expansion, deepening its strategic cooperation with China Mobile by integrating data, customer and channel resources, issuing debit and credit cards, and conducting joint campus marketing.

Major Contracts

Material Custody, Sub-contracts and Leases

In 2017, 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 CBRC, the Bank's guarantee business is an off-balance-sheet item in the ordinary course of the 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 2017, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.

Purchase and Sale of Assets

As part of the Group's strategic restructuring plan in the ASEAN region, on 30 June 2016, the Bank (as seller) and BOCHK (as buyer) entered into a sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Bank of China (Thai) Public Company Limited. All the conditions precedent set out in the sale and purchase agreement have been satisfied and completion of the transfer took place on 9 January 2017 in accordance with the terms and conditions of the sale and purchase agreement. On 28 February 2017, the Bank (as seller) and BOCHK (as buyer) entered into sale and purchase agreements in relation to sale and purchase of the banking businesses operated by the Bank in Indonesia through Bank of China Limited, Jakarta Branch and its eight sub-branches and the banking businesses operated by the Bank in Cambodia through Bank of China Limited, Phnom Penh Branch, Cambodia and its two sub-branches, respectively. The completion of the transfer of banking businesses operated by Bank of China Limited, Jakarta Branch and its eight sub-branches took place on 10 July 2017 in accordance with the terms and conditions of the sale and purchase agreement. The completion of the transfer of banking businesses operated by the Bank in Cambodia through Bank of China Limited, Phnom Penh Branch and its sub-branches (which consists of four sub-branches immediately prior to completion of the transfer) took place on 6 November 2017 in accordance with the terms and conditions of the sale and purchase agreement.

BOCHK (as seller) entered into a sale and purchase agreement with Xiamen International Investment Limited and the Committee of Jimei Schools (as buyers) in relation to the proposed disposal of approximately 70.49% of the total issued shares of Chiyu Banking Corporation Limited for a total consideration of HKD7.685 billion on 22 December 2016. The completion of the disposal took place on 27 March 2017 in accordance with the terms and conditions of the sale and purchase agreement. Chiyu Banking Corporation Limited ceased to be a subsidiary of the Bank, BOCHK (Holdings) and BOCHK respectively.

On 6 November 2017, the Bank (as transferor) and BOCHK (as transferee) entered into agreements in relation to the transfer of (i) the banking businesses operated by the Bank in Vietnam through Bank of China Limited, HoChiMinh City Branch and (ii) the banking businesses operated by the Bank in the Philippines through Bank of China Limited, Manila Branch, which was completed on 29 January 2018. See the section “– 3. Overseas Commercial Banking – Bank of China (Hong Kong) Limited” above for further details.


Employees

As at 31 December 2017, the Bank had a total of 311,133 employees. There were 288,206 employees in the operations of the Chinese mainland, of which 277,870 worked in the Bank’s domestic commercial banking operations. There were 22,927 employees in the Bank’s operations in Hong Kong, Macau, Taiwan and other countries and regions. As at 31 December 2017, the Bank bore costs for a total of 5,671 retirees.

The following table sets forth the total number of employees by geographic distribution as at 31 December 2017:

	Number of employees	% of total
Northern China.	60,780	19.54
Northeastern China.	25,399	8.16
Eastern China.	94,130	30.25
Central and Southern China.	69,623	22.38
Western China	38,274	12.30
Hong Kong, Macau and Taiwan.	17,665	5.68
Other countries and regions.	5,262	1.69
Total	<u>311,133</u>	<u>100.00%</u>

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 controlled and mitigated risks and consolidated the foundations of its credit risk management function. In addition, the Bank strengthened credit asset quality management, further improved its credit risk management policies, pushed forward optimisation of its credit structure and took a proactive and forward-looking stance on risk management.

Taking a customer-centric approach, the Bank further strengthened its unified credit granting management, and enhanced full-scope credit risk management. It improved its asset quality monitoring system and further enhanced potential risk identification, control and mitigation mechanisms by intensifying post-lending management, reinforcing customer concentration control. The Bank maintained relatively stable asset quality by enhancing the supervision of risk analysis and asset quality control in key regions, and strengthening window guidance on all business lines.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, the Bank 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 weighting of loans through limit management and prevented and mitigated risk from overcapacity industries. It intensified the management of loans to local government financing vehicles (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 implemented unified credit granting management for personal customers and improved management policies for personal loans, personal online loans and credit card overdrafts, in order to reduce credit risk and prevent the risk of cross-infection. It enforced regulatory requirements on residential mortgages and continued to strictly implement differentiated policies. It also strengthened risk control of key products and regions.

The Bank strengthened country risk management and incorporated it into its comprehensive risk management system. It performed an annual review of country risk ratings and implemented limit management of country risk exposures. It constantly optimised the Country Risk Exposure Statistical System to assess, monitor, analyse and report its exposures on a regular basis, thereby managing the use of limits in a precise manner. The Bank also established a country risk monitoring and reporting system covering yearly reporting, quarterly monitoring and the timely reporting of material risk events, which made it possible to regularly publish country risk analysis reports, provide updates on the country risk monitoring tables, make timely assessments of the impact of material country risk events and publish risk prompts. In addition, the Bank differentiated the management of potentially high-risk and sensitive countries and regions.

The Bank further stepped up the collection of non-performing assets ("NPAs"). It enhanced NPA disposal efficiency by allocating internal and external recovery resources in a uniform manner and by carrying out centralised management of non-performing credit programmes. It continued to carry forward centralised collection through the unified allocation of internal and external collection resources. The Bank centrally managed NPA projects and took measures such as continually enhancing the hierarchical management of key projects and reinforcing control of key regions and key customers, in order to improve the quality and efficiency of disposals. The Bank tapped the potential value of NPAs through multiple measures, proactively explored the application of "Internet Plus" in NPA collection. It adopted policies based on the actual conditions of individual enterprises, strengthened restructuring efforts and strived to help enterprises get out of difficulty, and promoted innovative means such as NPA securitisation of personal loans and credit card overdrafts. The Bank actively participated in the study and adjustment of regulatory policies and strengthened support to the real economy.

The Bank scientifically measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification* issued by the CBRC, 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 Guideline for Loan Credit Risk Classification is also applicable to the overseas operations of the Bank. However, the Bank classified credit assets in line with local applicable rules and requirements if they were stricter.

As at 31 December 2017, the Group's NPLs totalled RMB158.469 billion, representing an increase of RMB12.466 billion compared with the prior year-end. The NPL ratio was 1.45%, down by 0.01 percentage point compared with the prior year-end. The balance of the Group's allowance for loan impairment losses amounted to RMB252.254 billion, an increase of RMB14.538 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 159.18% down by 3.64 percentage points from the prior year-end. The NPLs of domestic institutions totalled RMB154.208 billion, an increase of RMB12.750 billion compared with the prior year-end. Domestic institutions' NPL ratio was 1.80%, down by 0.01 percentage point compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB317.025 billion, an increase of RMB6.395 billion compared with the prior year-end, accounting for 2.91% of total loans and advances, down by 0.20 percentage point from the prior year-end.

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 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB million, except percentages)</i>						
Chinese mainland	8,583,185	78.77%	7,818,508	78.40%	7,199,094	78.80%
Hong Kong, Macau and Taiwan	1,339,149	12.29%	1,220,962	12.24%	1,100,615	12.05%
Other countries and regions	974,224	8.94%	933,892	9.36%	836,151	9.15%
Total loans and advances to customers	10,896,558	100.00%	9,973,362	100.00%	9,135,860	100.00%

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 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB million, except percentages)</i>						
Corporate loans and advances						
Manufacturing	1,685,179	15.46%	1,632,912	16.37%	1,684,276	18.43%
Commerce and services	1,557,095	14.29%	1,313,693	13.17%	1,318,028	14.43%
Transportation, storage and postal services	1,056,755	9.70%	988,773	9.91%	892,207	9.77%
Real estate	820,922	7.53%	751,035	7.53%	760,511	8.32%
Production and supply of electricity, heating, gas and water	599,896	5.51%	519,161	5.21%	442,536	4.84%
Mining	338,316	3.10%	352,706	3.54%	371,581	4.07%
Financial services	285,598	2.62%	426,023	4.27%	332,835	3.64%
Construction	207,201	1.90%	193,318	1.94%	184,112	2.01%
Water, environment and public utility management	160,941	1.48%	159,660	1.60%	168,631	1.85%
Public utilities	117,419	1.08%	107,372	1.08%	110,242	1.21%
Other	143,379	1.32%	124,316	1.25%	104,953	1.15%
Subtotal	6,972,701	63.99%	6,568,969	65.87%	6,369,912	69.72%
Personal loans						
Mortgages	3,061,553	28.10%	2,635,960	26.43%	2,045,787	22.39%
Credit cards	374,297	3.43%	302,302	3.03%	268,923	2.95%
Other	488,007	4.48%	466,131	4.67%	451,238	4.94%
Subtotal	3,923,857	36.01%	3,404,393	34.13%	2,765,948	30.28%
Total loans and advances to customers	10,896,558	100%	9,973,362	100.00%	9,135,860	100.00%

The table below sets forth, as at the dates indicated, the Group's loan concentration by asset quality categories.

	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB million, except percentages)</i>					
Pass	10,421,064	95.64%	9,516,729	95.43%	8,775,798	96.06%
Special-mention	317,025	2.91%	310,630	3.11%	229,165	2.51%
Substandard	59,265	0.54%	61,247	0.61%	58,741	0.64%
Doubtful	45,404	0.42%	36,817	0.37%	41,516	0.45%
Loss	53,800	0.49%	47,939	0.48%	30,640	0.34%
Total	10,896,558	100%	9,973,362	100.00%	9,135,860	100.00%
Non-performing Loans⁽¹⁾	158,469	1.45%	146,003	1.46%	130,897	1.43%

Note:

(1) Non-performing loans refer to loans classified as substandard, doubtful and loss.

In accordance with the International Accounting Standard No. 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at 31 December 2017, the Group's identified impaired loans totalled RMB157.882 billion, representing an increase of RMB12.571 billion compared with the prior year-end. The identified impaired loans to total loans ratio was 1.45%, a decrease of 0.01 percentage point compared with the prior year-end. In 2017, the Group's impairment losses on loans amounted to RMB84.025 billion, a decrease of RMB2.770 billion compared with the same period of the prior year; credit cost accounted for 0.81%, a decrease of 0.10 percentage point compared with the same period of the prior year.

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 2017			As at 31 December 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Chinese mainland	154,208	97.67%	1.80%	141,458	97.35%	1.81%	127,635	98.00%	1.77%
Hong Kong, Macau and Taiwan	1,813	1.15%	0.14%	1,630	1.12%	0.13%	1,482	1.14%	0.13%
Other countries and regions	1,861	1.18%	0.19%	2,223	1.53%	0.24%	1,120	0.86%	0.13%
Total	157,882	100.00%	1.45%	145,311	100.00%	1.46%	130,237	100.00%	1.43%

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 2017			As at 31 December 2016			As at 31 December 2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Corporate loans and advances . . .	129,959	82.31%	1.86%	116,314	80.04%	1.77%	105,576	81.06%	1.66%
Personal loans	27,923	17.69%	0.71%	28,997	19.96%	0.85%	24,661	18.94%	0.89%
Total	157,882	100.00%	1.45%	145,311	100.00%	1.46%	130,237	100.00%	1.43%

Market Risk Management

The Group is exposed to market risks from 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 has actively adapted to the changes in business environment by improving its market risk appetite transmission mechanism and refining its model for the market risk limit management of the Group. To improve its risk warning and mitigation capabilities, the Bank conducted forward-looking research and judgement regarding market risks and cross-financial risks. The Bank continuously advanced the building of a market risk data mart and management system and studied and applied advanced risk measurement approaches, so as to enhance the accuracy of risk measurement and improve its risk quantitative management ability. Moreover, the market risk process management was reinforced through the strengthening of full process risk control.

The Bank has strengthened risk control of new products, major risk areas and key links in the bond investment business by closely tracking financial market fluctuations and performing forward-looking risk analysis. It regularly carried out risk inspections and stress tests on the bond investment business of the Group and established a management framework for the disposal and write-off mechanism of defaulted bonds, in order to improve risk management and control processes for bond investment.

The Bank has assessed the interest rate risk in its banking book mainly by analysing interest rate re-pricing gaps, made timely adjustments to the structure of assets and liabilities based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

In terms of the management of exchange rate risk, the Bank has sought to achieve currency matching between fund sources and applications and managed exchange rate risk through foreign exchange sales, thus effectively controlling foreign exchange exposure.

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% level of confidence (therefore 1% 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 2017, 2016 and 2015, the VaR of the Bank’s trading book by type of risk was as follows:

The Bank’s VaR for Trading Book									
	For the year ended 31 December 2017			For the year ended 31 December 2016			For the year ended 31 December 2015		
	Average	High	Low	Average	High	Low	Average	High	Low
	<i>(U.S.\$ million)</i>								
Interest rate risk	14.54	17.58	9.61	10.24	16.45	6.59	6.98	13.32	3.44
Foreign exchange risk	10.67	17.70	6.12	5.24	9.75	2.62	3.86	8.41	1.81
Volatility risk	0.35	1.21	0.11	0.69	1.55	0.29	0.30	0.81	0.09
Commodity risk	1.25	3.92	0.14	0.93	1.56	0.01	0.71	1.32	0.06
Total of the Bank’s trading VaR	17.44	23.89	12.43	10.31	17.45	6.75	7.91	14.41	4.09

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 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 2017, 2016 and 2015:

	As at 31 December 2017							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
	<i>(RMB million)</i>							
Assets								
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
Total assets	14,543,676	2,452,549	1,228,519	303,734	132,697	121,316	684,933	19,467,424
Liabilities								
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
Total liabilities	12,802,158	2,619,221	1,378,250	283,466	95,358	107,128	605,164	17,890,745
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	2,556,398	811,938	245,575	107,154	10,050	44,472	95,045	3,870,632

As at 31 December 2016

	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
	(RMB million)							
Assets								
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
Total assets	13,415,546	2,497,719	1,173,827	261,311	143,152	89,423	567,911	18,148,889
Liabilities								
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
Total liabilities	11,838,337	2,540,820	1,311,884	262,516	78,252	92,428	537,560	16,661,797
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

As at 31 December 2015

	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
	(RMB million)							
Assets								
Cash and due from banks and other financial institutions . . .	547,998	64,079	17,314	6,457	7,234	2,374	8,922	654,378
Balances with central banks . . .	1,719,641	344,446	13,189	20,454	28,358	44,901	25,074	2,196,063
Placements with and loans to banks and other financial institutions	273,947	82,142	30,764	2,908	32	2,655	34,400	426,848
Financial assets at fair value through profit or loss	46,844	52,709	18,831	580	17	81	–	119,062
Derivative financial assets	29,044	2,213	35,320	438	312	11,200	3,709	82,236
Loans and advances to customers, net	6,840,062	1,147,024	631,308	140,075	9,256	24,824	142,646	8,935,195
Financial investments								
– available for sale	576,382	261,381	114,358	12,222	65,685	2,647	45,858	1,078,533
– held to maturity	1,618,055	160,191	5,702	117	647	584	5,494	1,790,790
– loans and receivables	591,781	2,978	2	–	–	–	11,949	606,710
Assets held for sale	82,994	44,845	102,090	3,614	235	694	3,465	237,937
Other	269,996	114,845	109,632	2,057	2,809	1,793	186,713	687,845
Total assets	12,596,744	2,276,853	1,078,510	188,922	114,585	91,753	468,230	16,815,597
Liabilities								
Due to banks and other financial institutions	1,002,165	510,671	21,686	32,645	16,113	6,443	174,597	1,764,320
Due to central banks	232,832	170,901	9,909	–	–	2,067	–	415,709
Placements from banks and other financial institutions	289,664	112,002	13,527	22,310	1,940	4,522	3,979	447,944
Derivative financial liabilities . .	6,718	14,438	32,383	498	144	10,993	3,986	69,160
Due to customers	9,114,667	1,201,162	881,340	148,277	45,044	44,191	294,490	11,729,171
Bonds issued	167,300	102,956	788	8,321	–	–	3,564	282,929
Liabilities classified as								
held for sale	74,740	39,000	75,136	3,909	227	535	3,303	196,850
Other	327,837	62,504	144,082	2,463	426	2,263	12,334	551,909
Total liabilities	11,215,923	2,213,634	1,178,851	218,423	63,894	71,014	496,253	15,457,992
Net on-balance sheet position . .	1,380,821	63,219	(100,341)	(29,501)	50,691	20,739	(28,023)	1,357,605
Net off-balance sheet position . .	(208,637)	22,587	181,262	36,718	(48,410)	(18,568)	49,757	14,709
Credit commitments	2,055,776	725,409	250,301	81,590	6,348	22,980	67,629	3,210,033

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 has 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.

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 has enhanced the liquidity risk management at both Group and branch levels. It has 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 has 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 financial reporting date to the contractual maturity date:

As at 31 December 2017								
Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total	
<i>(RMB million)</i>								
Assets								
Cash and due from banks and								
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								
banks and other financial								
institutions	–	–	186,151	90,770	213,567	84,854	57	575,399
Financial assets at fair value								
through profit or loss	19,853	–	18,738	42,528	54,336	25,002	33,154	193,611
Derivative financial assets	–	8,791	16,222	19,854	36,575	10,449	3,021	94,912
Loans and advances to								
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								
– 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
Total assets	2,213,972	1,016,871	914,563	1,484,502	3,623,089	5,313,002	4,901,425	19,467,424
Liabilities								
Due to banks and other								
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								
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
Total liabilities	–	7,896,813	2,343,795	1,796,712	3,459,181	2,262,050	132,194	17,890,745
Net liquidity gap	2,213,972	(6,879,942)	(1,429,232)	(312,210)	163,908	3,050,952	4,769,231	1,576,679

As at 31 December 2016

	<u>Overdue/ Undated</u>	<u>On demand</u>	<u>Less than 1 month</u>	<u>Between 1 and 3 months</u>	<u>Between 3 and 12 months</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>(RMB million)</i>							
Assets								
Cash and due from banks and 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 banks and other financial institutions	–	–	229,651	106,802	229,002	28,593	–	594,048
Financial assets at fair value through profit or loss	11,896	–	8,783	18,065	28,217	25,495	31,634	124,090
Derivative financial assets	–	13,239	15,745	23,369	62,855	12,310	3,031	130,549
Loans and advances to 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								
– 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
Total assets	2,132,049	1,022,458	867,479	1,615,977	3,291,324	4,619,251	4,600,351	18,148,889
Liabilities								
Due to banks and other 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 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								
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
Total liabilities	–	7,524,737	1,998,395	1,689,378	3,252,199	2,057,906	139,182	16,661,797
Net liquidity gap	2,132,049	(6,502,279)	(1,130,916)	(73,401)	39,125	2,561,345	4,461,169	1,487,092

As at 31 December 2015

	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
<i>(RMB million)</i>								
Assets								
Cash and due from banks and other financial institutions	22	130,446	69,030	91,767	361,286	1,827	–	654,378
Balances with central banks	1,580,456	576,307	26,582	136	12,582	–	–	2,196,063
Placements with and loans to banks and other financial institutions	–	–	158,256	69,729	174,865	23,998	–	426,848
Financial assets at fair value through profit or loss	14,460	–	8,729	12,997	18,787	32,407	31,682	119,062
Derivative financial assets	–	13,629	7,091	6,845	44,929	8,834	908	82,236
Loans and advances to customers, net	49,971	110,598	406,547	918,256	2,173,435	2,250,542	3,025,846	8,935,195
Financial investments								
– available for sale	46,529	–	28,557	116,306	181,096	510,301	195,744	1,078,533
– held to maturity	–	–	29,719	68,270	287,726	869,988	535,087	1,790,790
– loans and receivables	–	–	39,338	53,237	204,616	207,242	102,277	606,710
Assets held for sale	10,061	13,924	39,762	24,869	53,170	71,440	24,711	237,937
Other	239,203	293,031	34,025	26,729	47,425	29,215	18,217	687,845
Total assets	1,940,702	1,137,935	847,636	1,389,141	3,559,917	4,005,794	3,934,472	16,815,597
Liabilities								
Due to banks and other financial institutions	–	1,121,330	182,428	68,261	236,929	155,372	–	1,764,320
Due to central banks	–	123,381	109,657	80,054	83,282	19,335	–	415,709
Placements from banks and other financial institutions	–	–	237,435	181,274	27,917	1,318	–	447,944
Derivative financial liabilities	–	8,874	7,279	7,721	33,636	9,422	2,228	69,160
Due to customers	–	5,310,840	1,349,408	1,211,480	2,236,700	1,606,338	14,405	11,729,171
Bonds issued	–	–	5,828	9,235	32,987	124,591	110,288	282,929
Liabilities classified as								
held for sale	–	77,062	48,191	31,001	35,309	5,265	22	196,850
Other	–	169,964	71,263	36,826	139,009	74,795	60,052	551,909
Total liabilities	–	6,811,451	2,011,489	1,625,852	2,825,769	1,996,436	186,995	15,457,992
Net liquidity gap	1,940,702	(5,673,516)	(1,163,853)	(236,711)	734,148	2,009,358	3,747,477	1,357,605

Regulatory Ratios on Liquidity

As at 31 December 2017, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio as at 31 December 2017, 2016 and 2015 is shown in the table below (in accordance with relevant provisions of domestic regulatory authorities):

Main regulatory ratio (%)	Regulatory standard	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Liquidity ratio RMB	≥25	47.1	45.6	48.6
Foreign Currency	≥25	56.9	52.7	62.0

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 CBRC.

Reputational Risk Management

The Bank has fully implemented the Guidelines for Reputational Risk Management of Commercial Banks issued by the CBRC, actively followed the Group's policy on reputational risk management, continued to improve 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 great importance to the investigation and pre-warning of potential reputational risk factors and further strengthened routine public opinion monitoring. It has continued to carry out reputational risk identification, assessment and reporting work, 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 has 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 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 has continued to implement the "three lines of defence" mechanism for internal control.

The first line of defence consists of departments of the Head Office, tier-1 branches, direct branches, tier-2 branches and all banking outlets under tier-2 branches (with the exception of those departments that form part of the second or third lines of defence). 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. The Bank enhanced the use of the Group's operational risk monitoring and analysis platform, so as to realise regular monitoring of material risks and promote the optimisation of business processes and systems.

The third line of defence rests in 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 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 further improve rectification management, achieve the effective rectification of problems and continue to improve the Bank's internal governance and control mechanism.

The Bank has promoted an all-round rectification campaign according to the banking regulations to combat "violations against laws, rules and regulations", attempts of "regulatory arbitrage, idle funding arbitrage, connected transactions arbitrage", situations of "improper innovation, improper trading, improper incentives, and improper charges", as well as "market irregularities". It also enhanced specialised rectification practices for "strengthening risk prevention and control" and "improving regulatory shortcomings and enhancing regulatory effect". It organised look-back rectification accountability with a focus on the "Two Strengthen and Two Curbing", carried out internal control case prevention activities of "process optimisation, fundamental resolutions and foundation reinforcement", searched for significant risk and promoted process optimisation, so as to lay a more solid foundation for effective internal control. In addition, the Bank improved and implemented 50 measures for risk control and management of branch outlets so as to enhance their risk control. It also promoted staff compliance archive and internal control management evaluation system, so as to enhance staff behaviour management and daily management and control of its branches.

The Bank has 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. It has also constantly improved non-financial internal control. The Bank has 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 has established and implemented a systematic financial accounting policy system in accordance with the relevant accounting laws and regulations. Accordingly, the Bank's accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was continuously improved. The Bank has set standards in the qualification of accounting, continuously promoted the qualification of accounting groundwork and strengthened the quality management of its accounting information, so as to ensure the effectiveness of internal control 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 2017, the Bank succeeded in preventing 149 external cases involving RMB72.16 million.

Operational Risk Management

The Bank has continuously improved its operational risk management system. It promoted the application of operational risk management tools, using various management tools including Risk and Control Assessment, Key Risk Indicators and Loss Data Collection to continually identify, assess and monitor operational risks. The Bank has enhanced its system supporting capability by optimising its operational risk management information system. It has strengthened its business continuity management system, optimised its operating mechanism to enhance its business operating sustainability, carried out disaster recovery drill and improved the Group's capacity for continuous business operation.

Compliance Management

The Bank has continuously improved its compliance risk governance mechanism and management process. It continued to track compliance risk information including the latest regulatory changes, inspections and evaluations, and complied with domestic and overseas regulatory requirements. It monitored and assessed compliance risk and adopted a reporting mechanism for compliance risk information and material risk events, hence enhancing its compliance risk management ability.

The Bank has formulated and implemented an AML system building plan to improve its governance structure, enhance resource commitment and talent fostering, integrate monitoring and analysis resources and increase the weight of compliance management in branch evaluation. It has improved sanctions compliance management, implemented sanctions management policies and implemented the sanction requirements of the United Nations, Chinese regulators and overseas local regulators, as well as standardised customer and transaction due diligence and enhanced centralised correspondent banking management. It has formulated the 50 Guidelines on Further Enhancing Compliance Management for Overseas Institutions, reiterated the basic rules governing the Group's compliance management, five compliance pillars and detailed compliance requirements, and has enhanced overseas business risk control. It has tracked global regulatory trends, regulatory inspection and evaluation and other compliance risk information in a timely manner, and has implemented requirements from local and overseas regulatory institutions. It has promoted system and model building and improved system functionality. It implemented the "All Employee AML Training Plan" by conducting various forms of AML training to enhance all employees' compliance awareness and capacity.

The Bank has enhanced the management of its related-party transactions and internal transactions. It strengthened the routine monitoring of its connected transactions and strictly controlled their risks. It carried out special self-inspections on connected transactions by conducting self-evaluation across the whole Group to seek improvement with regard to regulation implementation, system management, data quality and other dimensions. In addition, it implemented internal transaction monitoring and reporting, and guided and standardised the operation mechanism for internal transaction verification.

Capital Management

With the aim of maintaining adequate capital and risk mitigation capacity, increasing capital efficiencies and enhancing value creation capability, the Bank has established a comprehensive capital management system featuring broad management coverage of the capital plan, capital budget and assessment, capital measurement and monitoring, the internal capital adequacy assessment process ("ICAAP") and external capital replenishment.

The Bank adhered to the principle of linking capital input with output and further improved its capital budget allocation mechanism. It reinforced capital assessment in order to guide all business lines and units of the Bank to improve their awareness of value creation and capital constraints. With the aim of preserving capital, improving customers' comprehensive returns and increasing overall value contribution, it continuously optimised its on-balance sheet and off-balance sheet asset structures, developed capital-lite businesses, reduced the proportion of high-capital-consumption assets and reasonably controlled increases in off-balance sheet risk assets. The Bank continuously implemented its ICAAP and completed its 2017 capital adequacy assessment. As at 31 December 2017, the Bank's capital adequacy ratio maintained robust and met the regulation's requirement.

As at 31 December 2017 and 2016, the capital adequacy ratios 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 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Calculated in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i>				
Net common equity tier 1 capital . . .	1,356,088	1,280,841	1,180,299	1,106,112
Net tier 1 capital	1,461,090	1,384,364	1,280,013	1,205,826
Net capital	1,725,330	1,609,537	1,526,537	1,414,052
Common equity tier 1 capital adequacy ratio	11.15%	11.37%	10.85%	10.98%
Tier 1 capital adequacy ratio	12.02%	12.28%	11.77%	11.96%
Capital adequacy ratio	14.19%	14.28%	14.04%	14.03%
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>				
Core capital adequacy ratio	11.69%	11.77%	11.39%	11.65%
Capital adequacy ratio	14.56%	14.67%	14.36%	14.50%

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 2016 and 2017 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 2017	As at 31 December 2016	As at 31 December 2015
	<i>(RMB million)</i>		
Corporate loans and advances			
– Loans and advances	6,792,502	6,270,728	6,105,959
– Discounted bills	180,199	298,241	263,953
Subtotal	<u>6,972,701</u>	<u>6,568,969</u>	<u>6,369,912</u>
Personal loans			
– Mortgages	3,061,553	2,635,960	2,045,787
– Credit cards	374,297	302,302	268,923
– Other	488,007	466,131	451,238
Subtotal	<u>3,923,857</u>	<u>3,404,393</u>	<u>2,765,948</u>
Total loans and advances	<u>10,896,558</u>	<u>9,973,362</u>	<u>9,135,860</u>
Allowance for impairment losses			
– Individually assessed	(79,316)	(70,093)	(60,791)
– Collectively assessed	(172,938)	(167,623)	(139,874)
Total allowance for impairment losses	<u>(252,254)</u>	<u>(237,716)</u>	<u>(200,665)</u>
Loans and advances to customers, net	<u>10,644,304</u>	<u>9,735,646</u>	<u>8,935,195</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 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB million, except percentages)</i>						
Corporate loans and advances						
Manufacturing	1,685,179	15.46%	1,632,912	16.37%	1,684,276	18.43%
Commerce and services	1,557,095	14.29%	1,313,693	13.17%	1,318,028	14.43%
Transportation, storage and postal services	1,056,755	9.70%	988,773	9.91%	892,207	9.77%
Real estate	820,922	7.53%	751,035	7.53%	760,511	8.32%
Production and supply of electricity, heating, gas and water	599,896	5.51%	519,161	5.21%	442,536	4.84%
Mining	338,316	3.10%	352,706	3.54%	371,581	4.07%
Water, environment and public utility management	160,941	1.48%	159,660	1.60%	168,631	1.85%
Financial services	285,598	2.62%	426,023	4.27%	332,835	3.64%
Construction	207,201	1.90%	193,318	1.94%	184,112	2.01%
Public utilities	117,419	1.08%	107,372	1.08%	110,242	1.21%
Other	143,379	1.32%	124,316	1.25%	104,953	1.15%
Subtotal	<u>6,972,701</u>	<u>63.99%</u>	<u>6,568,969</u>	<u>65.87%</u>	<u>6,369,912</u>	<u>69.72%</u>
Personal loans						
Mortgages	3,061,553	28.10%	2,635,960	26.43%	2,045,787	22.39%
Credit cards	374,297	3.43%	302,302	3.03%	268,923	2.95%
Other	488,007	4.48%	466,131	4.67%	451,238	4.94%
Subtotal	<u>3,923,857</u>	<u>36.01%</u>	<u>3,404,393</u>	<u>34.13%</u>	<u>2,765,948</u>	<u>30.28%</u>
Total loans and advances to customers	<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>	<u><u>9,135,860</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					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB million, except percentages)</i>						
Chinese mainland	8,583,185	78.77%	7,818,508	78.40%	7,199,094	78.80%
Hong Kong, Macau and Taiwan	1,339,149	12.29%	1,220,962	12.24%	1,100,615	12.05%
Other countries and regions	974,224	8.94%	933,892	9.36%	836,151	9.15%
Total loans and advances to customers	<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>	<u><u>9,135,860</u></u>	<u><u>100.00%</u></u>

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								
	2017			2016			2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Chinese mainland	154,208	97.67%	1.80%	141,458	97.35%	1.81%	127,635	98.00%	1.77%
Hong Kong, Macau and Taiwan	1,813	1.15%	0.14%	1,630	1.12%	0.13%	1,482	1.14%	0.13%
Other countries and regions	1,861	1.18%	0.19%	2,223	1.53%	0.24%	1,120	0.86%	0.13%
Total	<u>157,882</u>	<u>100.00%</u>	<u>1.45%</u>	<u>145,311</u>	<u>100.00%</u>	<u>1.46%</u>	<u>130,237</u>	<u>100.00%</u>	<u>1.43%</u>

Chinese mainland

	As at 31 December								
	2017			2016			2015		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Northern China	28,244	18.31%	2.07%	15,863	11.22%	1.26%	20,363	15.95%	1.76%
Northeastern China	32,565	21.12%	6.29%	26,342	18.62%	5.33%	8,081	6.33%	1.67%
Eastern China	55,365	35.90%	1.65%	54,521	38.54%	1.76%	54,508	42.71%	1.90%
Central and Southern China	24,948	16.18%	1.11%	28,774	20.34%	1.45%	29,970	23.48%	1.69%
Western China	13,086	8.49%	1.20%	15,958	11.28%	1.61%	14,713	11.53%	1.59%
Total	<u>154,208</u>	<u>100.00%</u>	<u>1.80%</u>	<u>141,458</u>	<u>100.00%</u>	<u>1.81%</u>	<u>127,635</u>	<u>100.00%</u>	<u>1.77%</u>

Reconciliation of Allowance for Impairment Losses

The following table sets out the reconciliation of allowance for impairment losses on loans and advances to customers by individual and collective assessments:

	Year ended 31 December		
	2017	2016	2015
	<i>(RMB million)</i>		
As at 1 January	237,716	200,665	188,531
Impairment losses for the period/year	126,683	127,436	103,777
Reversal	(42,658)	(40,641)	(47,905)
Written off and transfer out	(70,344)	(52,476)	(45,197)
Recovery of loans and advances written off	3,546	3,343	1,322
Unwind of discount on allowance	(1,989)	(2,480)	(1,329)
Exchange differences	(1,518)	1,869	1,466
As at 31 December	<u>252,254</u>	<u>237,716</u>	<u>200,665</u>

DIRECTORS, MANAGEMENT AND SUPERVISORS

General

The Bank's board of directors currently comprises 12 members. Other than the Chairman, there is one executive directors, 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. He will perform the duties as President of the Bank before the new President is appointed by the Bank and approved by CBRC.

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

Name	Position
Chen Siqing	Chairman
Ren Deqi	Executive Director and Executive Vice President
Zhang Xiangdong	Non-executive Director
Li Jucai	Non-executive Director
Xiao Lihong	Non-executive Director
Wang Xiaoya	Non-executive Director
Zhao Jie	Non-executive Director
Nout Wellink	Independent Director
Lu Zhengfei	Independent Director
Leung Cheuk Yan	Independent Director
Wang Changyun	Independent Director
Angela Chao	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.

Ren Deqi, has served as the Bank's Executive Director since December 2016 and Executive Vice President since July 2014. Mr. Ren joined the Bank in 2014. He worked in China Construction Bank ("CCB") for many years and held various positions. From October 2013 to May 2014, Mr. Ren served as General Manager of Risk Management Department of CCB. From August 2003 to October 2013, Mr. Ren successively served as Deputy General Manager of Credit Approval Department, General Manager of Risk Control Department, General Manager of Credit Management Department, and General Manager of the Hubei Branch of CCB. Mr. Ren has been serving as a Non-executive Director of BOCHK (Holdings) since October 2015, and President of Shanghai RMB Trading Unit since September 2016. He obtained a Master's Degree in Engineering from Tsinghua University in 1988. He holds the title of Senior Economist.

Zhang Xiangdong, has served as the Bank's Non-executive Director since July 2011. Mr. Zhang served as a Non-executive Director of CCB from November 2004 to June 2010, and served as Chairman of the Risk Management Committee under its board of directors from April 2005 to June 2010. From August 2001 to November 2004, Mr. Zhang worked as Vice President of PBOC's Haikou Central Sub-branch and concurrently served in SAFE as Deputy Director General of Hainan Province Branch and Deputy Director General and Inspector of the General Affairs Department. Mr. Zhang served as a member of the Stock Offering Approval Committee of CSRC from September 1999 to September 2001. He served as a member of China International Economic and Trade Arbitration Commission from January 2004 to December 2008. Mr. Zhang graduated from Renmin University of China with a Bachelor's degree in law in 1986. He completed his post-graduate studies in international economic law at Renmin University of China in 1988, and was awarded a Master's degree in Law in 1990. He holds the title of Senior Economist and is qualified to practice law in China.

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.

Zhao Jie, has served as the Bank's Non-executive Director since July 2011. Mr. Zhao has been serving as Inspector of the Agricultural Department of the Ministry of Finance since August 2014. 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.

Nout Wellink, has served as the Bank's Independent Director since October 2012. Mr. Wellink has served as a member of the Executive Board of the Dutch Central Bank ("DNB") for almost 30 years, the last 14 years as its President. He retired from DNB on 1 July 2011. DNB is part of the European System of Central Banks since 1999 and holds supervision on national pension funds and insurance companies. Since the establishment of the European Monetary Union, Mr. Wellink served as a member of the Governing Council of the European Central Bank. Starting from 1997, Mr. Wellink served as a member of the board of directors of the Bank for International Settlements, which he chaired from 2002 to 2006. From 2006 to 2011, he also chaired the Basel Committee on Banking Supervision. From 1997 to 2011, Mr. Wellink was a member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund. Prior to his appointment in 1982 as an Executive Director of DNB, Mr. Wellink held several posts in the Dutch Ministry of Finance, including as the Treasurer General from 1977 to 1982. After studying Dutch law at Leyden University from 1961 to 1968 with a Master's degree obtained, Mr. Wellink obtained a doctor's degree in economics at the Rotterdam Erasmus University in 1975. In 2008, he received an honorary doctorate from Tilburg University. From 1988 to 1998, Mr. Wellink was an Extraordinary Professor at the Free University in Amsterdam. Mr. Wellink is Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and Member of Advisory Board of Systemic Risk Council. Mr. Wellink had served many additional functions in the past, including member of the Supervisory Board of a bank, a re-insurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange-Nassau since 2011.

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 Sinotrans Ltd. since September 2004, Independent Non-executive Director of Sino Biopharmaceutical Ltd. since November 2005, Independent Non-executive Director of China National Materials Co., Ltd. since December 2009, 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. 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 PS1, 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.

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
Wang Xueqiang	Shareholder Supervisor
Liu Wanming	Shareholder Supervisor
Deng Zhiying	Employee Supervisor
Gao Zhaogang	Employee Supervisor
Xiang Xi	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.

Wang Xueqiang, has served as the Shareholder Supervisor of the Bank since August 2004 and Head of the Office of Board of Supervisors since April 2005. Mr. Wang served as Deputy Director General Supervisor and Director General Supervisor of the Bank from July 2003 to August 2004 before the Bank's corporate restructuring. Mr. Wang served as Deputy Director General Supervisor at Agricultural Development Bank of China from October 2001 to July 2003, and worked with the Central Financial Working Commission from October 2000 to October 2001. From November 1996 to September 2000, Mr. Wang worked with Hong Kong Gang Ao International (Holdings) Co., Ltd. and Hong Kong Fujian Group Limited in succession. Prior to that, Mr. Wang worked with the Ministry of Finance from August 1985 to October 1996. Mr. Wang graduated from China Central University of Finance and Economics in 1985 and obtained his Doctorate in Economics from Public Finance Institute of the Ministry of Finance in 2008. Mr. Wang is a senior accountant and Certified Public Accountant qualified by the Chinese Institute of Certified Public Accountants.

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.

Deng Zhiying, has served as the Employee Supervisor of the Bank since August 2010. Mr. Deng currently serves as General Manager of the Supervisory Department in the Bank's Head Office. Mr. Deng has served as Deputy General Manager of the Supervisory Department in the Bank's Head Office from July 2008 to July 2010. From June 2007 to July 2008, Mr. Deng served as a member of the Party Committee and the secretary of the Party Discipline Committee in the Tianjin Branch of the Bank. From February 2008 to July 2008, Mr. Deng also served as the Director of the Labour Union of the branch. From June 1993 to June 2007, Mr. Deng worked in the Supervisory Office, the Inspection and Audit Department and the Supervisory Department of the Bank's Head Office. From August 1984 to June 1993, Mr. Deng worked in the Party Discipline Committee. Mr. Deng received a Bachelor's degree in History from Nankai University in 1984.

Gao Zhaogang, has served as the Employee Supervisor of the Bank since April 2016. Mr. Gao is currently the General Manager of the Human Resources Department of the Bank. Mr. Gao worked in the Organization Department of the CPC Central Committee from January 2001 to July 2014, successively served as a Consultant (of deputy head level) of the Office of Enterprise Cadres, the Deputy Head, Head and Deputy Inspector of the Bureau Five of Cadres. From December 1998 to January 2001, he served as the Deputy Head of Development Research Department of China National Petroleum Corporation. Mr. Gao worked in Dagang Oilfield and China National Petroleum Company from July 1992 to December 1998. Mr. Gao graduated from Xi'an Shiyou Institute in 1992 and obtained Doctorate in Management Science and Engineering from Beijing University of Technology in 2012.

Xiang Xi, has served as the Employee Supervisor of the Bank since August 2012. Ms. Xiang is currently Deputy General Manager and Chief Financial Officer of Jiangsu Branch of the Bank. She previously held the following various positions in the Bank, including Deputy General Manager and Chief Financial Officer of Suzhou Branch of the Bank from March 2010 to June 2015, a member of the CPC Committee, Deputy General Manager and Chief Financial Officer of Suzhou Branch from July 2005 to March 2010, Assistant to General Manager of the Suzhou Branch from March 2003 to July 2005, Deputy General Manager and General Manager of High-tech Industrial Development Zone Sub-branch of the Suzhou Branch from October 2000 to July 2005, cadre, Deputy Group Chief, Section Chief, Deputy Director and Deputy General Manager of the International Trade Settlement Division of the Suzhou Branch from July 1993 to October 2000. Ms. Xiang graduated from the Department of English of East China University of Science and Technology in 1993, and obtained an MBA Degree jointly conferred by Fudan University and University of Washington in December 2004.

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
Ren Deqi	Executive Director and Executive Vice President
Zhang Qingsong	Executive Vice President and Chief Information Officer
Liu Qiang	Executive Vice President
Fan Dazhi	Secretary of Party Discipline Committee
Pan Yuehan	Chief Risk Officer
Xiao Wei	Chief Audit Officer

Please refer to “*Directors, Management and Supervisors – Directors*” for the biography of Mr. Ren Deqi.

Zhang Qingsong, has served as the Executive Vice President of the Bank since November 2016 and Chief Information Officer of the Bank since March 2017. Mr. Zhang joined the Bank in 1990. He served as General Manager of the Clearing Department of the Bank from March 2014 to July 2016, and served as General Manager of Singapore Branch from December 2011 to June 2014. From March 2006 to December 2011, he successively served as Deputy General Manager of the Asset-Liability Management Department, Deputy General Manager of the Treasury, Director of the Global Markets Department, Director (Securities Investment) of the Global Markets Unit, General Manager (Securities Investment) of the Global Markets Unit, and also as General Manager of Hong Kong Trading Center (Hong Kong Branch) from July 2009 to December 2011. He graduated from Graduate School of People's Bank of China with a Master's degree in Economics in 1990. He holds the title of Associate Researcher.

Liu Qiang, has served as the Executive Vice President of the Bank since November 2016. Mr. Liu joined the Bank in 2016. He worked in Agricultural Bank of China ("ABC") for many years and held various positions. He served as General Manager of the Shanghai Branch of ABC from July 2015 to July 2016 and also as Executive Deputy Director of Shanghai Management Department of ABC from September 2015 to July 2016. From June 2005 to June 2015, he successively served as Deputy General Manager and General Manager of Business Department, General Manager of Important Client Department, and Deputy General of Beijing Branch, General Manager of the Asset-Liability Management Department/County Area Capital and Funds Management Center, and also served as Chairman of the Board of Supervisors of ABC Financial Leasing Co., Ltd. Since March 2018, Mr. Liu has been serving as Chairman of the Board of Directors of BOC Aviation. He graduated from China Agricultural University in 1993 and obtained a Master's degree in Agriculture from China Agricultural University in 1997. He holds the title of Senior Economist.

Fan Dazhi, has served as the Secretary of Party Discipline Committee of the Bank since December 2016. Mr. Fan joined the Bank in 2016. He served as Chairman of the board of directors of Hua Xia Bank since November 2016. From August 2007 to November 2016, he served as Director, Vice President, and President of Hua Xia Bank. From January 2004 to August 2007, he served as Director and General Manager of Beijing Securities Co., Ltd. From December 1999 to January 2004, Mr. Fan successively served as Deputy Head of Beijing Overseas Financing and Investment Management Center, Director and Deputy General Manager of Beijing State-owned Assets Management Co., Ltd. He graduated from Dongbei University of Finance and Economics in 1987, and graduated from Graduate School of China Academy of Social Sciences with a Doctor's degree in Economics in 2012. He has the qualification of Senior Accountant.

Pan Yuehan, has served as the Bank's Chief Risk Officer since April 2016. Mr. Pan joined the Bank in 1984. He served as General Manager of the Shanghai Branch of the Bank from March 2011 to November 2015 and concurrently as Vice President of Shanghai RMB Trading Unit of the Bank from March 2012 to November 2015. From April 2009 to March 2011, he served as General Manager of the Suzhou Branch of the Bank. He previously served as the Deputy General Manager and Chief Financial Officer of the Jiangsu Branch of the Bank. He obtained a Master's Degree from China Europe International Business School in 2008.

Xiao Wei, has served as the Bank's Chief Audit Officer 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.

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 2017, 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	Type of shares	Percentage of total issued A-Shares capital	Percentage of total issued H-Shares capital	Percentage of total issued ordinary share capital	
		<i>(unit: share)⁽³⁾</i>					
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	7,518,157,041	H	–	8.99%	2.55%	
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	5,979,827,830	H	–	7.15%	2.03%	
		1,064,000 (S)	H	–	0.00127%	0.00036%	
JPMorgan Chase & Co. ⁽²⁾	Beneficial owner	1,275,055,949	H	–	1.52%	0.43%	
		290,074,918 (S)	H	–	0.35%	0.10%	
	Investment Manager	441,487,694	H	–	0.53%	0.15%	
	Trustee	28,325	H	–	0.00003%	0.00001%	
	Custodian	2,500,393,560 (P)	H	–	2.99%	0.85%	
	corporation/approved lending agent						
	Total	4,216,965,528	H	–	5.04%	1.43%	
		290,074,918 (S)	H	–	0.35%	0.10%	
		2,500,393,560 (P)	H	–	2.99%	0.85%	

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 5,979,827,830 H Shares and a short position of 1,064,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,979,827,830 H Shares, 9,966,000 H Shares are held through derivatives. In the short position of 1,064,000 H Shares, 27,000 H Shares are held through derivatives.
- (2) JPMorgan Chase & Co. holds the entire issued share capital of JPMorgan Chase Bank, N.A. Thus JPMorgan Chase & Co. is deemed to have equal interests in shares of the Bank as JPMorgan Chase Bank, N.A. under the SFO. JPMorgan Chase & Co. holds a long position of 4,216,965,528 H Shares and a short position of 290,074,918 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. In the long position of 4,216,965,528 H Shares, 2,500,393,560 H Shares are held in the lending pool and 266,313,652 H Shares are held through derivatives. In the short position of 290,074,918 H Shares, 281,944,918 H Shares 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 2017, 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. Established on 16 December 2003, Huijin has a registered capital of RMB828.209 billion. 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 key 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 2017, the Bank does not have any other institutional shareholders holding at least 10% of the total voting shares of the Bank (not including 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 2017, 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.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- such 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 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. 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 1 January 2019. 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 Issue, 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 CBRC and PBOC acting as the principal regulatory authorities. CBRC 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, 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 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.

CBRC

Functions and Powers

CBRC 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 CBRC 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

CBRC, 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. CBRC 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, CBRC 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 CBRC 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 CBRC issued the CBRC Measures regulating CARs of PRC commercial banks. The CBRC 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 CBRC 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 CBRC 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 CBRC 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 CBRC 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 filings 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 3 April 2018, 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, 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.

Selling Restrictions Addressing Additional Netherlands Securities Laws

- (a) Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has complied with and will comply with the requirements under the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) that Zero Coupon Notes in definitive form of any Issuer and other Notes which qualify as savings certificates as defined in the Dutch Savings Certificates Act may only be transferred or accepted through the intermediary of either the relevant Issuer or a Member of Euronext Amsterdam N.V. and with due observance of the Dutch Savings Certificates Act (including registration requirements), except in the case of (i) the initial issue of such Notes to the first holders thereof, (ii) any transfer and acceptance by individuals who do not act in the conduct of a profession or trade, and (iii) any transfer or acceptance of such Notes, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.
- (b) Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it shall include in
 - (i) any offer of Notes to the public in The Netherlands other than an offer:
 - (A) in respect of which a prospectus (and any supplement if required) approved by the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) (the “AFM”) (or, where appropriate, by the competent authority in another European Economic Area Member State which has implemented the Prospectus Directive and notified to the AFM in accordance with the Prospectus Directive) has been made generally available; or
 - (B) only to qualified investors as defined in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*); and
 - (ii) any advertisement relating to such an offer, and any document in which the prospect of such offer is held out;

that:

- (x) no prospectus approved by the AFM has been or will be made generally available; and
 - (y) such offer is not supervised by the AFM;
- in such manner as prescribed by the AFM from time to time.

For purposes of this provision the expression “**Prospectus Directive**”, have the meaning given to them in the paragraph headed “Public Offer Selling Restrictions Under the Prospectus Directive”.

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 or which do not constitute an offer to the public within the meaning of that Ordinance; 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 that Ordinance.

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) (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 (as defined in Section 239(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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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 28 April 2017 respectively, and resolutions of the shareholders' meeting of the Bank passed on 27 May 2011 and 29 June 2017 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**

The Group has adopted IFRS 9 and its amendments from 1 January 2018. Considering the impact of these standards on the consolidated financial statements, the Group will record an adjustment to 1 January 2018 shareholders' equity at the adoption date, but will not restate comparative periods. The adoption of IFRS 9 is expected to reduce shareholders' equity by approximately 2% as at 1 January 2018.

Other than as set out above, since 31 December 2017, 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 2016 and 2017, 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 2016 and 2017, 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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