

OFFERING CIRCULAR



**Industrial and Commercial Bank of China Ltd., Luxembourg Branch**

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

**EUR8,000,000,000**

**Medium Term Note Programme**

Under the EUR8,000,000,000 Medium Term Note Programme described in this Offering Circular (the "Programme"), Industrial and Commercial Bank of China Ltd., Luxembourg Branch (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "Notes") denominated in any currency agreed between it and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed EUR8,000,000,000 (or its equivalent in other currencies subject to increase as described herein). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" or any additional Dealer appointed under the Programme from time to time by the 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.

An application has been made to the Luxembourg Stock Exchange (the "LuxSE") in its capacity as competent authority under Part IV of the Luxembourg Law dated July 10, 2005 on prospectus for securities, as amended (the "Luxembourg Prospectus Law") and the rules and regulations of the LuxSE (the "LuxSE Rules") to approve this document as a prospectus. An application has also been made for the Notes to be admitted to trading on the Euro MTF market, which is a market operated by the LuxSE, and listed on the Official List of the LuxSE (the "Official List"). The Euro MTF market is not a regulated market pursuant to the provisions of the Directive 2004/39/EC. This Offering Circular comprises information about the Issuer and the Notes for the purposes of Part 2 of the LuxSE Rules. The relevant Pricing Supplement (the "Pricing Supplement") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the LuxSE or any other stock exchange. This Offering Circular constitutes a base prospectus, and a Pricing Supplement will constitute final terms, for the purpose of the Luxembourg Prospectus Law.

This document does not constitute a prospectus for the purposes of article 3 of Directive 2003/71/EC, as amended (the "Prospectus Directive"). The Issuer has prepared this Offering Circular solely for the use in connection with the listing of Notes issued under the Programme on the Euro MTF market. If any Green Bonds (as defined herein) are to be issued under the Programme and listed on the LuxSE, the Issuer may also apply for such Notes be displayed on the Luxembourg Green Exchange ("LGX"). This Offering Circular only be used for the purposes for which it has been published. The Notes may not be offered to the public or indirectly to the public unless the requirements of the Luxembourg Prospectus Law have been satisfied. Any person making or intending to make any offer of the Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive may only do so in circumstances in which no obligations arises for the Issuer to prepare a prospectus pursuant to article 3 of the Prospectus Directive. The Issuer has not authorised, nor does the Issuer authorise, the making of any offer of the Notes in circumstances in which an obligation arises for it to publish a prospectus for such offer in any jurisdiction.

The Notes of each Series issued in bearer form ("Bearer Notes") will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note") (collectively, the "Global Notes"). Notes in registered form ("Registered Notes") will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Certificates representing Registered Notes that are held in one or more clearing systems are referred to as global certificates ("Global Certificates"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depository on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg"), and, provided a CMU Lodging and Paying Agent is appointed, Global Certificates may be registered with a sub-custodian for the Central Moneymarkets Unit Service (the "CMU Service") operated by the Hong Kong Monetary Authority (the "HKMA"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date, upon certification as to non-U.S. beneficial ownership.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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. 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 (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

The Programme has been assigned ratings of "(P) A1 long-term" and "(P) P-1 short-term" by Moody's Investors Service Hong Kong Ltd. ("Moody's"). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the ratings assigned to the Programme. Moody's is not established in the European Union nor registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at 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 also should 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 Issuer to fulfil its obligations in respect of the Notes are discussed under "Risk Factors" below.

The LuxSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in the Offering Circular. The Issuer accepts full responsibility for 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.

**Arrangers and Dealers**

**Industrial and Commercial Bank of China  
(Asia) Limited**

**Industrial and Commercial Bank of China Limited,  
Singapore Branch**

**Standard Chartered Bank**

**BNP PARIBAS**

**HSBC**

The date of this Offering Circular is 31 May 2019

## IMPORTANT NOTICE

The Issuer, having made all reasonable enquiries confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, Industrial and Commercial Bank of China Limited (the “Bank”) and its subsidiaries (the “Group”, “we” or “us”) and the Notes which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer, the Group and the Notes are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the 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; (iii) the statements of intention, opinion and belief or expectation contained in this Offering Circular with regard to the Issuer and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “Terms and Conditions of the Notes” (the “Conditions”) as amended and/or supplemented by the Pricing Supplement specific to such Tranche. 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 Tranche 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 Issuer, the Group, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Group, 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 the Issuer, the Group, 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 EEA, the United Kingdom, the Netherlands, Japan, Hong Kong, the PRC and Singapore, and to persons connected therewith. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. 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. The Notes are being offered and sold outside the United States in reliance on Regulation S under 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*”.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents 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.

Admission to trading on the Euro MTF market, listing on the Official List of the LuxSE and, where applicable, listing of Green Bonds on the LuxSE and the displaying of Green Bonds on the LGX are not to be taken as an

indication of the merits of the Issuer, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the 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 the Issuer or the Group 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 the Issuer, the Group, 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 Issuer or the Group 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 the Issuer, the Group, the Arrangers, the Dealers, 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 the Issuer and the Group.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR8,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under “*Subscription and Sale*”). 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.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “*Stabilising Manager*”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

None of the Arrangers, the Dealers or any Agents (as defined under “*Terms and Conditions of the Notes*”) has separately verified the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Arrangers, the Dealers 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 or liability, with respect to the accuracy, completeness or sufficiency of any of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme and

nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, warranty or representation by the Arrangers, the Dealers or any Agents. To the fullest extent permitted by law, none of the Arrangers, the Dealers or any Agent or any director, officer, employee, agent, affiliate or adviser 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 an Arranger, a Dealer, any Agent, or any director, officer, employee, agent, affiliate or adviser of any such person or on its behalf in connection with the Issuer, the Group, the Notes, or the issue and offering of the Notes. Each Arranger, each Dealer, each Agent and their respective affiliates and advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Agents or any of their respective directors, officers, employees, agents, affiliates or advisers undertake to review the financial condition or affairs of the Issuer or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Agents or their respective affiliates or advisers.

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. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Group, any of the Arrangers, any of the Dealers or any of the Agents that any recipient of this Offering Circular should purchase any Notes. Each potential purchaser of 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 advisers 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. Each potential purchase 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 investigations with its own tax, legal and business advisers as it deems necessary.

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 of the Issuer, the Group, the Arrangers or the Dealers, 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 Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the 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 or the Agents or any agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer or the 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 Agents or any of them.

**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 EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a

qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (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.

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

A determination will be made in relation to each issue about whether, for the purpose of the 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 none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**Singapore CMP Regulations classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## PRESENTATION OF INFORMATION

Certain monetary amounts set out in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in tables may not be the arithmetic sums of the figures that precede them. In this Offering Circular, references to “U.S. dollars”, “U.S.\$” or “USD” are to United States dollars, the lawful currency of the United States, references to “Sterling” and “£” are to the lawful currency of the United Kingdom, references to “Euro”, “EUR” or “€” are to the lawful currency of the Eurozone, references to “RMB” or “Renminbi” are to the lawful currency of the PRC, references to “Hong Kong dollars” or “HK\$” are to the lawful currency of Hong Kong, references to “MOP” are to Macau pataca, the lawful currency of Macau, references to “MXN” are to Mexican Pesos, the lawful currency of Mexico, references to “MYR” are to Malaysian ringgit, the lawful currency of Malaysia, references to “IDR” are to Indonesian rupiah, the lawful currency of Indonesia, references to “THB” are to Thai baht, the lawful currency of Thailand, references to “KZT” are to Kazakhstani tenge, the lawful currency of Kazakhstan, references to “NZD” are to New Zealand dollars, the lawful currency of New Zealand, references to “RUB” are to Russian rubles, the lawful currency of Russia, references to “CAD” are to Canadian dollars, the lawful currency of Canada, references to “ARS” are to Argentine pesos, the lawful currency of Argentina, references to “BRL” are to Brazilian real, the lawful currency of Brazil, references to “ZAR” are to South African rand, the lawful currency of South Africa and references to “Japanese Yen” are to Japanese yen, the lawful currency of Japan.

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2017 and 2018 incorporated by reference in this Offering Circular have been prepared and presented in accordance with the International Financial Reporting Standards (“IFRSs”), and the unaudited and unreviewed interim condensed consolidated financial statements as at and for the three months ended 31 March 2018 and 2019 incorporated by reference in this Offering Circular have also been prepared and presented based on IFRS. Significant differences exist between IFRSs and generally accepted accounting principles in the United States (“U.S. GAAP”) that might be material to the financial information herein. The Bank has made no attempt to quantify the impact of those differences. In making an investment decision, prospective investors must rely upon their own examination of the Bank, the terms of the offering and the financial information. Prospective investors should consult their own professional advisers for an understanding of the differences between IFRSs and U.S. GAAP and how those differences might affect the financial information herein.

The Bank adopted IFRS 9 – Financial Instruments on 1 January 2018. For the impact of the adoption of IFRS 9 on the Bank, please refer to Note 2(3) “Basis of Preparation – Change in accounting policies – IFRS 9 “Financial Instruments”” of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 incorporated by reference herein. IFRS 9 includes an exemption from the requirement to restate comparative information. The Bank has used the exemption from restating comparative information and has recognised any transition adjustments against the opening balance of equity as at 1 January 2018. As a result of the Bank’s adoption of IFRS 9, in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018, certain financial information as at and for the year ended 31 December 2017 has not been restated but has been reclassified to conform with the presentation of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018. All references to financial information as at 31 December 2017 as included in this Offering Circular are to such reclassified numbers.

On 29 April 2019, we announced our unaudited consolidated financial results as at and for the three months ended 31 March 2019. On 1 January 2019, the Bank adopted IFRS 16 - Leases (“IFRS 16”). The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 and recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019. The consolidated financial statements of the Bank for the year ended 31 December 2018 and the unaudited consolidated financial results for the three months ended 31 March 2018 (in each case as presented and/or incorporated by reference in this Offering Circular) do not reflect the impact of adoption of this new standard.

In this Offering Circular, references to “China”, “Mainland China” and the “PRC” 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 Macau Special Administrative Region of the People’s Republic of China; references to “U.S.” are to the United States; and references to “UK” or “United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland.

In this Offering Circular, references to “billion” are to a thousand million, and references to “trillion” are to a thousand billion.

## FORWARD LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Description of the Issuer*”, “*Description of the Bank*”, and elsewhere in this Offering Circular constitute “forward looking statements”. The words including “*believe*”, “*intend*”, “*expect*”, “*plan*”, “*anticipate*”, “*schedule*”, “*estimate*” 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 Group and the plans and objectives of the management of 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 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 Group’s present and future business strategies and the environment in which the Group will operate in the future. The Issuer 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.

## DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement 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.

The following documents which previously have been published and have been filed with the LuxSE shall be incorporated in, and form part of, this Offering Circular:

- the announcement of the Group’s first quarterly report of 2019, containing the unaudited and unreviewed consolidated financial statements of the Group as at and for the three months ended 31 March 2019;
- the announcement of the Group’s first quarterly report of 2018, containing the unaudited and unreviewed consolidated financial statements of the Group as at and for the three months ended 31 March 2018;
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 together with the Independent Auditor’s Report thereon, as set out on pages 120 to 298 (inclusive) of the annual report (published on 25 April 2019) of the Bank for the year ended 31 December 2018 (the “2018 Annual Report”);
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2017 together with the Independent Auditor’s Report thereon, as set out on pages 120 to 272 (inclusive) of the annual report (published on 23 April 2018) of the Bank for the year ended 31 December 2017 (the “2017 Annual Report”);
- the Terms and Conditions of the Notes contained in the Offering Circular of the Programme dated 8 January 2015 at pages 50 to 81;
- the Terms and Conditions of the Notes contained in the Offering Circular of the Programme dated 18 January 2016 at pages 46 to 74; and



- the Terms and Conditions of the Notes contained in the Offering Circular of the Programme dated 25 September 2017 at pages 54 to 82.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of all such documents which are incorporated by reference 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) at the office of the Issuer at 32, Boulevard Royal, L-2449, Luxembourg and from the specified offices of the Paying Agents (as defined under “*Terms and Conditions of the Notes*”).

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

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## OVERVIEW OF THE PROGRAMME

*This overview 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 this Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this overview.*

<b>Issuer</b>	Industrial and Commercial Bank of China Ltd., Luxembourg Branch.
<b>Issuer Legal Entity Identifier (LEI)</b>	5493002ERZU2K9PZDL40
<b>Description</b>	Medium Term Note Programme.
<b>Programme Size</b>	Up to EUR8,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
<b>Risk Factors</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer in fulfilling its obligations in respect of the Notes are discussed under the section “Risk Factors” below.
<b>Arrangers</b>	Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Standard Chartered Bank, BNP Paribas and HSBC Bank plc.
<b>Dealers</b>	Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Standard Chartered Bank, BNP Paribas and HSBC Bank plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes (together, the “Dealers”).
<b>Issuing and Paying Agent, Transfer Agent and Registrar</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Fiscal Agent</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>CMU Lodging and Paying Agent</b>	The CMU lodging and paying agent appointed from time to time in relation to CMU Notes.
<b>Method of Issue</b>	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), the Notes of each Series being 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 Pricing Supplement.

#### **Clearing Systems**

Euroclear, Clearstream, Luxembourg and/or, provided a CMU Lodging and Paying Agent is appointed, the CMU Service and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer and the relevant Dealer.

#### **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*.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement.

Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub custodian for Euroclear, Clearstream, Luxembourg and/or as the case may be, provided a CMU Lodging and Paying Agent is appointed, the CMU Service and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, 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 Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes will initially be represented by Global Certificates. Global Certificates representing Registered Notes will be held in Euroclear, Clearstream, Luxembourg or a common depositary on their behalf, or, provided a CMU Lodging and Paying Agent is appointed, the CMU Service operated by the Hong Kong Monetary Authority.

#### **Currencies**

Notes may be denominated in any currency or currencies, 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 Notes**

The Notes constitute senior, direct, general, unsubordinated, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and

	unsecured 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>Issue Price</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Maturities</b>	<p>Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Notes have a maturity of less than one year 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, 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 Financial Services and Markets Act 2000 (“FSMA”) by the Issuer.</p>
<b>Redemption</b>	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index 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.
<b>Optional Redemption</b>	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) and at the price specified in the relevant Pricing Supplement.
<b>Redemption for tax reasons</b>	Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons as described in Condition 9(b) ( <i>Redemption for tax reasons</i> ).
<b>Interest</b>	Notes may be interest bearing or non interest bearing. Interest (if any) may accrue at a fixed rate, floating rate, other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
<b>Benchmark Replacement</b>	In the event that a Benchmark Event occurs, such that any Rate of Interest (or any component part thereof) cannot be determined by reference to the relevant reference rate specified in the applicable Pricing Supplement, then the Issuer may (subject to

certain conditions) be permitted to substitute such reference rate with a successor, replacement or alternative reference rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an adjustment spread (which could be positive or negative)). See Condition 6(e) for further information.

**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.

**Events of Default**

The Notes will contain certain events of default provisions, including a cross-default provision as further described in Condition 13 (*Events of Default*).

**Withholding Tax**

All payments of principal and interest in respect of Notes will be made free and clear of withholding taxes of the Grand Duchy of Luxembourg and the PRC unless the withholding is required by law. In that event, the Issuer will (subject to certain customary exceptions as described in Condition 12 (*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 admission to trading**

Notes issued under the Programme may be listed on the Official List of the LuxSE and admitted to trading on the LuxSE's Euro MTF market. If any Green Bonds are to be issued under the Programme and listed on the LuxSE, the Issuer may also apply for such Notes be displayed on the LGX.

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 Official List of the LuxSE and admitted to trading on the LuxSE's Euro MTF market or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

**Governing Law**

English law.

**Ratings**

The Programme has been assigned ratings of "(P) A1 long-term" and "(P) P-1 short-term" by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement and will not necessarily be the same as the ratings assigned to the Programme.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension and withdrawal at any time by the relevant rating organisation.

**Selling Restrictions**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, the Netherlands, Japan, Hong Kong, the PRC and Singapore, see “*Subscription and Sale*” below.

**Initial Delivery of Notes**

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or, provided a CMU Lodging and Paying Agent is appointed, 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 Fiscal Agent and the relevant Dealers.

Registered Notes that are to be credited to one or more clearing systems on issue will be held in Euroclear and Clearstream, Luxembourg or a common depositary on their behalf, or, provided a CMU Lodging and Paying Agent is appointed, the CMU Service operated by the Hong Kong Monetary Authority.

**Notes issued as Green Bonds**

Although the Issuer may agree at the relevant issue date of any Green Bonds (as defined herein) to allocate the net proceeds towards the financing and/or refinancing of Eligible Green Assets (as defined in “*Use of Proceeds*” below) in accordance with certain prescribed eligibility criteria as described under the Green Bond Framework for Industrial and Commercial Bank of China, it would not be an event of default under the Green Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Pricing Supplement and/or (ii) any Second Party Opinion issued in connection with such Green Bonds were to be withdrawn. Any failure to use the net proceeds of any Series of Green Bonds in connection with green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Green Bonds may affect the value and/or trading price of the Green Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary consolidated statement of profit or loss data for the years ended 31 December 2017 and 2018 and the summary consolidated statement of financial position data as at 31 December 2017 and 2018 set forth below are extracted or derived from the consolidated financial statements of the Group as at and for the year ended 31 December 2018 incorporated by reference in this Offering Circular. Prospective investors should read the summary financial information set forth below in conjunction with the financial statements incorporated herein by reference.

The Bank adopted IFRS 9 – Financial instruments on 1 January 2018. See “Presentation of Information” elsewhere in this Offering Circular for further details regarding the presentation of the Bank’s financial information in this Offering Circular as a result thereof.

### SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

The following table sets forth, for the periods indicated, selected items from our consolidated statement of profit or loss.

	<b>For the year ended 31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>(in RMB millions)</i>	
Net interest income .....	522,078	572,518
Net fee and commission income .....	139,625	145,301
Net trading income .....	5,753	2,846
Net gain on financial investments <sup>1</sup> .....	2,165	1,345
Other operating income, net .....	6,033	3,111
<b>Operating income</b> .....	<b>675,654</b>	<b>725,121</b>
Operating expenses .....	(186,194)	(194,203)
Impairment losses on:		
Loans and advances to customers .....	(124,096)	(147,347)
Others .....	(3,673)	(14,247)
<b>Operating profit</b> .....	<b>361,691</b>	<b>369,324</b>
Share of profits of associates and joint ventures .....	2,950	3,089
<b>Profit before taxation</b> .....	<b>364,641</b>	<b>372,413</b>
Income tax expense .....	(77,190)	(73,690)
<b>Profit for the year/period</b> .....	<b>287,451</b>	<b>298,723</b>
Attributable to equity holders of the parent company .....	286,049	297,676
Attributable to non-controlling interests .....	1,402	1,047

<sup>1</sup> Since the adoption of IFRS 9 – Financial Instruments and the new classification and measurement of financial instruments under such standard from 1 January 2018, “net loss on financial assets and liabilities designated at fair value through profit or loss” is no longer reported separately but, instead, as part of “net gain on financial investments”. To keep the financial figures comparable, the “net gain on financial investments” for the year ended 31 December 2017 presented above have been reclassified.



## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

The following table sets forth, as at the dates indicated, selected items from our consolidated statement of financial position.

	As at 31 December	
	2017	2018
	(in RMB millions)	
<b>Assets</b>		
Cash and balances with central banks .....	3,613,872	3,372,576
Due from banks and other financial institutions .....	847,611	962,449
Derivative financial assets.....	89,013	71,335
Reverse repurchase agreements .....	986,631	734,049
Loans and advances to customers .....	13,892,966	15,046,132
Financial investments <sup>2</sup> .....	5,756,704	6,754,692
Investments in associates and joint ventures .....	32,441	29,124
Property and equipment .....	247,744	290,404
Deferred income tax assets.....	48,392	58,375
Other assets .....	571,669	380,404
<b>Total assets</b> .....	<b>26,087,043</b>	<b>27,699,540</b>
<b>Liabilities</b>		
Due to central banks.....	456	481
Financial liabilities designated at fair value through profit or loss <sup>3</sup> .....	89,361	87,400
Derivative financial liabilities .....	78,556	73,573
Due to banks and other financial institutions .....	1,706,549	1,814,495
Repurchase agreements.....	1,046,338	514,801
Certificates of deposit .....	260,274	341,354
Due to customers <sup>4</sup> .....	19,562,936	21,408,934
Income tax payable .....	70,644	84,741
Deferred income tax liabilities .....	433	1,217
Debt securities issued.....	526,940	617,842
Other liabilities.....	603,500	409,819
<b>Total liabilities</b> .....	<b>23,945,987</b>	<b>25,354,657</b>

<sup>2</sup> Since the adoption of IFRS 9 — Financial Instruments and the new classification and measurement of financial instruments under such standard from 1 January 2018, “financial assets held for trading” and “financial assets designated at fair value through profit or loss” are no longer reported separately but, instead, as part of “financial investments”. To keep the financial figures comparable, the “financial investments” at 31 December 2017 presented above have been reclassified.

<sup>3</sup> The “financial liabilities designated at fair value through profit or loss” at 31 December 2017 of RMB89,361 million as reported in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 reflects adjustments made to the line item pursuant to guidance on reporting of customer deposits by the PBOC and the former CBRC.

<sup>4</sup> The “due to customers” at 31 December 2017 of RMB19,562,936 million as reported in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 reflects adjustments made to the line item pursuant to guidance on reporting of customer deposits by the PBOC and the former CBRC.

	As at 31 December	
	2017	2018
	(in RMB millions)	
<b>Total equity</b> .....	2,141,056	2,344,883
<b>Total equity and liabilities</b> .....	26,087,043	27,699,540

## SUMMARY OF KEY FINANCIAL AND OPERATING INDICATORS

The following tables set forth a summary of our key financial and operating indicators for the periods or as at the dates indicated.

	For the year ended 31 December	
	2017	2018
<b>Profitability indicators (%)</b>		
Return on average total assets <sup>(1)</sup> .....	1.14	1.11
Return on weighted average equity <sup>(2)</sup> .....	14.35	13.79
Net interest spread <sup>(3)</sup> .....	2.10	2.16
Net interest margin <sup>(4)</sup> .....	2.22	2.30
Return on risk-weighted assets <sup>(5)</sup> .....	1.89	1.81
Ratio of net fee and commission income to operating income .....	20.67	20.04
Cost-to-income ratio <sup>(6)</sup> .....	26.45	25.71

	As at 31 December	
	2017	2018
<b>Asset quality indicators (%)</b>		
NPL ratio <sup>(7)</sup> .....	1.55	1.52
Allowance to NPLs <sup>(8)</sup> .....	154.07	175.76
Allowance to total loans ratio <sup>(9)</sup> .....	2.39	2.68
<b>Capital adequacy indicators (%)</b>		
Core Tier 1 Capital Adequacy Ratio <sup>(10)</sup> .....	12.77	12.98
Tier 1 Capital Adequacy Ratio <sup>(10)</sup> .....	13.27	13.45
Capital Adequacy Ratio <sup>(10)</sup> .....	15.14	15.39
Leverage Ratio <sup>(11)</sup> .....	7.51	7.79
Total equity to total assets ratio .....	8.21	8.47
Risk-weighted assets to total assets ratio .....	60.96	62.06

	As at 31 December 2017	As at 31 December 2018
<b>Liquidity ratios (%)</b>		
RMB current assets to RMB current liabilities <sup>(12)</sup> .....	41.7	43.8
Foreign currency current assets to foreign currency current liabilities <sup>(12)</sup> ....	86.2	83.0

Notes:

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.
- (2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC.
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on the average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Data as at 31 December 2017 and 2018 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the former CBRC in June 2012 (the “Capital Regulation”).
- (11) Calculated in accordance with the former CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015).
- (12) Calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

## EXCHANGE RATE INFORMATION

The People's Bank of China (the "PBOC") sets and publishes a base exchange rate on a daily basis with reference primarily to the supply and demand of Renminbi against a basket of U.S. dollar currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to 20 July 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the international financial markets. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities investment, requires the approval of the State Administration of Foreign Exchange ("SAFE") and other relevant authorities.

On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of Renminbi against certain foreign currencies at 9:15 a.m. each business day. This rate is set as the central parity exchange rate for the trading in the inter-bank foreign exchange spot market and the trading over the counter for the business day. On 19 June 2010, the PBOC announced that the PRC Government would further reform the Renminbi exchange rate regime to increase the flexibility of the exchange rate. On 16 April 2012, the PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 1 per cent. around the central parity rate. Effective from 17 March 2014, such floating band was further enlarged to 2 per cent.

The following table sets forth information concerning exchange rates between the Renminbi and U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this Offering Circular or will use in the preparation of our periodic reports or any other information to be provided to you. Exchange rates of Renminbi into U.S. dollars are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. The PRC Government may make further adjustments to the exchange rate system in the future.

<b>Noon Buying Rate</b>				
	<b>Period end</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
		<i>(RMB per U.S.\$1.00)</i>		
2014.....	6.2046	6.1704	6.2591	6.0402
2015.....	6.4778	6.2869	6.4896	6.1870
2016.....	6.9430	6.6549	6.9580	6.4480
2017.....	6.5063	6.7350	6.9575	6.4773
2018.....	6.8775	6.5719	6.9737	6.2649
2019.....				
January.....	6.6958	6.7863	6.8597	6.6958
February.....	6.6912	6.7366	6.7907	6.6822

Noon Buying Rate				
	Period end	Average <sup>(1)</sup>	High	Low
		(RMB per U.S.\$1.00)		
March.....	6.7112	6.7119	6.7381	6.6916
April.....	6.7347	6.7161	6.7418	6.6870
May.....	[●]	[●]	[●]	[●]

Note:

- (1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily rates during the relevant month or period.

## RISK FACTORS

*Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to repay principal, pay interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. The following factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or which the Issuer currently deems to be immaterial, may affect the Group's business, financial condition or results of operations or the Issuer's ability to fulfil its obligations under the Notes.*

### RISKS RELATING TO OUR BUSINESS

#### Risks Relating to Our Loan Portfolio

***We may not be able to maintain effectively the quality of our loan portfolio.***

During the two years ended 31 December 2017 and 2018, we experienced continued growth in our loan balances. Our gross loans to customers increased from RMB14,233.4 billion as at 31 December 2017 to RMB15,419.9 billion as at 31 December 2018. As at 31 December 2017 and 2018, our non-performing loans ("NPLs") amounted to RMB221.0 billion and RMB235.1 billion, respectively, representing NPL ratios of 1.55 per cent. and 1.52 per cent., respectively.

We cannot assure you that the quality of our existing or future loans to customers will not deteriorate. Deterioration in the overall quality of our loan portfolio or other assets may occur due to a variety of reasons, including factors beyond our control such as a slowdown in the growth of the PRC or global economies, a relapse of the global credit crisis, other adverse macroeconomic trends in the PRC and other parts of the world and the occurrence of natural disasters, which may adversely affect the businesses, operations or liquidity of our borrowers or their ability to repay their debt. Any significant deterioration in our asset quality may lead to increases in our NPLs and allowances made for NPLs, which may have a material adverse effect on our business, financial condition and results of operations.

***We may suffer actual losses on our loan portfolio that exceed our allowances for impairment losses.***

We are required to maintain a minimum level of allowances for impairment losses on loans as compared to our total NPLs (known as a "bad loans coverage ratio"). The Administrative Measures for the Loan Loss Reserves of Commercial Banks issued by the China Banking Regulatory Commission (the "former CBRC") on 27 July 2011 (the "Administrative Measures") set forth a minimum standard for basic bad loans coverage ratio of 150 per cent. which applied with effect from 1 January 2012. The Administrative Measures also provided that such ratio may be adjusted by the China Banking and Insurance Regulatory Commission (the "CBIRC") (which was formed when the former CBRC and the former China Insurance Regulatory Commission merged on 8 April 2018) in response to the prevailing macroeconomic environment or individually adjusted and applied to a relevant bank depending on such bank's operating conditions. Accordingly, the actual bad loans coverage ratio applicable to the Bank from time to time may be different from the ratio published under the Administrative Measures.

As at 31 December 2017 and 2018, our bad loans coverage ratio was 154.07 per cent. and 175.76 per cent., respectively. Whilst the Bank's current level of allowance to NPLs complies with the threshold applicable to the Bank, there have been instances in the past (such as the position as at 31 December 2016, when our bad

loans coverage ratio was 136.69 per cent.) where our bad loans coverage ratio has fallen below the then applicable minimum standard, as prescribed under the Administrative Measures.

In accordance with the Administrative Measures, a warning can be issued by the CBIRC to a relevant bank if such bad loans coverage ratio is below the applicable level for three consecutive months, requesting for such bank's rectification; if this persists for at least six consecutive months, the CBIRC may impose on the relevant bank administrative and regulatory measures as provided under the Banking Industry Supervision and Administration Law of the PRC, including measures to increase such bank's bad loans coverage ratio to at least the prevailing minimum standard for basic bad loans coverage ratio. Although as at the date of this Offering Circular, we have not received any notification or official warning from the CBIRC or any other relevant authority in the PRC in relation to the historical level of our bad loans coverage ratio, there is no assurance that our bad loans coverage ratio will not fall below the then applicable minimum standard for basic bad loans coverage ratio applicable to the Bank from time to time or that we will not receive any notification or warning from the CBIRC in the future.

The amount of our allowances for impairment losses on loans is determined based on our assessment of factors that may affect the quality of our loans. These factors include, among others, our borrowers' financial conditions, their repayment ability and repayment intention, the current realisable value of any collateral, the ability of the guarantors of our borrowers to fulfil their obligations, the performance of the PRC's economy, the PRC Government's macroeconomic policies, interest rates, exchange rates and the legal and regulatory environment. Most of these factors are beyond our control. The adequacy of our allowances for impairment losses depends on the reliability of, and our skills in applying, our assessment system to estimate these losses, as well as our ability to accurately collect, process and analyse relevant statistical data.

If our assessment of or expectations concerning the impact of these factors on the quality of our loans is different from actual developments or our loan quality deteriorates more than expected, then the allowances for impairment losses on loans provided by us may not be sufficient to cover actual losses. Consequently, we may need to make additional provisions for impairment losses in the future, which could lead to a decrease in our profit and materially and adversely affect our business, financial condition and results of operations.

***We have a concentration of loans to certain industries and customers, including loans to small and micro enterprises and medium-sized enterprises (together, "SMEs").***

As at 31 December 2017 and 2018, our corporate loans represented 62.8 per cent. and 61.0 per cent. of our total loans, respectively. As at 31 December 2018, our domestic branches' corporate loans to the (i) transportation, storage and postal services, (ii) manufacturing, (iii) leasing and commercial service, (iv) production and supply of electricity, heat, gas and water, (v) water, environment and public utility management, (vi) wholesale and retail and (vii) real estate industries represented approximately 23.8 per cent., 17.4 per cent., 13.2 per cent., 11.5 per cent., 9.7 per cent., 6.1 per cent. and 7.4 per cent., respectively, of our total domestic branches' corporate loans.

We are also exposed to the real estate sector through our residential mortgage loans and corporate loans in the real estate sector. As at 31 December 2018, our residential mortgage loans represented 81.5 per cent. of our total personal loans, and our domestic branches' corporate loans in the real estate sector represented 7.4 per cent. of our total domestic branches' corporate loans. The PRC Government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating, such as setting minimum down payment requirements and minimum mortgage rates on residential housing purchases, imposing business taxes on the transfer of certain residential properties and levying mandatory personal income tax for second home sales. Such measures may adversely affect the growth of our loans related to real estate. Recently, the PRC Government has loosened lending policies regarding the real estate market, although such policies are subject to change. In addition, a downturn in the PRC's real estate market may materially and

adversely affect the quality of our existing loans and our ability to generate new loans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

As at 31 December 2018, the loans to small and micro enterprises with total loans of no more than RMB10 million for each enterprise was RMB321,685 million, representing an increase of RMB49,203 million or 18.1 per cent. compared to 31 December 2017. The business operations of SMEs may be less stable than large enterprises and more vulnerable to adverse changes in the economic environment. SMEs may also be more likely to suffer from inadequate or ineffective internal control or risk management systems. These factors may increase the credit risk of loans to SMEs. As at 31 December 2017 and 2018, the total amount of loans granted to our single largest customer accounted for 4.9 per cent. and 3.8 per cent., respectively, of our net capital, while the total amount of loans granted to our top ten largest customers accounted for 14.2 per cent. and 12.9 per cent., respectively, of our net capital.

Any deterioration in any of the industries in which our loans are concentrated due to an adverse macroeconomic environment, government policies, overcapacity of such industries or otherwise, or any deterioration in the financial condition or results of operations of our major borrowers could materially and adversely affect the quality of our existing loans and our ability to generate new loans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to risks caused by any deterioration in the debt repayment abilities of local government financing vehicles to which we extend loans or any change in national policy relating to local government financing vehicles.***

Loans extended to government financing vehicles in the PRC constitute part of our loan portfolio. According to the former CBRC, local government financing vehicles (“LGFVs”) consist primarily of entities funded via government budget or injection of land, capital and other assets by municipal governments or their departments and institutions. These entities have independent legal person status and primarily engage in financing or investing activities in connection with public projects. These vehicles primarily engage in financing activities wholly or partially supported by the direct or indirect repayment commitments or direct or indirect guarantees of local governments and provide support to various infrastructure development and quasi-public interest government investment projects.

Our loans to LGFVs are mainly made to the investment and financing vehicles of various development zones, state-owned asset management companies, land reserve companies and urban construction investment companies. Most of these loans were made to financing vehicles at a provincial and municipal level. In recent years, with the aim of reinforcing the risk management of loans to LGFVs, the PRC State Council (the “State Council”), the former CBRC and the PBOC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to LGFVs.

Certain factors, such as unfavourable developments in macroeconomic conditions, changes to state policies, deterioration of the financial condition of particular local governments or other factors, may adversely affect the debt repayments of these financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations.

***We may not be able to maintain the growth of our loan portfolio.***

Our loans and advances to customers before provision have grown significantly in the past few years, increasing from RMB13,056.8 billion as at 31 December 2016 to RMB14,233.4 billion as at 31 December 2017 and to RMB15,419.9 billion as at 31 December 2018. The growth of our loan portfolio may be affected by various factors, such as the PRC’s macroeconomic policies and capital constraints. In the future, the growth rate of our



loan portfolio may slow, or the balance of our loan portfolio may even decline. In addition, in response to constraints on our regulatory capital, we may adopt strategies to reduce our reliance on our loan portfolio and expand our activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact the growth of our loan portfolio and thereby materially and adversely affect our business, financial condition and results of operations.

***We may not be able to maintain the growth rate of our retail banking business.***

As a leading commercial bank in the PRC, we may not be able to maintain our competitive position or sustain our growth rate due to increasing market saturation and competition, changes in government regulations in the banking industry in the PRC and other factors, any of which may adversely affect our business, financial condition and results of operations.

For example, on 26 February 2013, the State Council promulgated the Notice of the General Office of the State Council on Continuing Regulation and Control of Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which requires banking institutions to implement differentiated housing credit policies, further implement the policy of down payment ratio and mortgage rate for first-time house buyers and tighten the credit policies for buyers of second or additional homes, and imposes a personal income tax on the profit generated from sale of residential property. Such measures may slow down the development of the residential real estate market in the PRC, hinder an increase in residential mortgages and reduce the average amount of residential mortgages, and thus have a material adverse impact on our retail banking business. On 29 September 2014, the PBOC and the former CBRC jointly promulgated the Notice on Further Improving Financial Services for Housing (關於進一步做好住房金融服務工作的通知), which allows households owning only one residential property and having paid all mortgages on such property to enjoy the benefit of first time home buyers under certain circumstances. However, such policies are subject to further change and implementation by banks in the PRC.

The rapid expansion of our retail banking business also increases our exposure to changes in economic conditions affecting PRC consumers. For example, a slowdown in the PRC's economic development could adversely affect the ability of retail borrowers and credit card holders to make payments, thereby increasing the probability of defaults and reducing the demand for retail loans and credit cards. Such a slowdown may also reduce the demand for our non-interest-based products and services, which could result in a reduction in, among others, our credit card transaction volumes and sales of investment products. Accordingly, economic difficulties in the PRC that have a material adverse effect on PRC consumers could materially and adversely affect our business, financial condition and results of operations.

***Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.***

We classify our loans using a five-tier classification system in accordance with the guidelines set forth by the PRC regulators. The five tiers are “pass”, “special mention”, “substandard”, “doubtful” and “loss”. Our loan classification system may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classifications may reflect a different degree of risk from those that would be reported by banks incorporated in those other countries or regions. Since we adopted IFRS 9 on 1 January 2018, we assess our impairment losses on loans and determine a level of allowances for impairment losses based on expected credit loss methodology under IFRS 9 for loans measured at amortised cost and at fair value through other comprehensive income. Our provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IFRS 9. As a result, our allowance for impairment losses, as determined under the provisioning policies, may differ from those that would be reported by banks incorporated in those other countries or regions. If our approach to

provisioning policies and/or loan classification proves not to be adequate, our business, financial position and results of operations may be adversely affected.

***Changes in major accounting policies.***

In 2014, the International Accounting Standards Board promulgated the IFRS 9 — Financial Instruments, the effective date of which was 1 January 2018. For the impact of the adoption of IFRS 9 on the Bank, please refer to Note 2(3) “Basis of Preparation – Change in accounting policies – IFRS 9 “Financial Instruments”” of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 incorporated by reference herein. IFRS 9 includes an exemption from the requirement to restate comparative information. The Bank has used the exemption from restating comparative information and has recognised any transition adjustments against the opening balance of equity as at 1 January 2018. As a result of the Bank’s adoption of IFRS 9, in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018, certain financial information as at and for the year ended 31 December 2017 has not been restated but has been reclassified to conform with the presentation of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018. All references to financial information as at 31 December 2017 as included in this Offering Circular are to such reclassified numbers.

On 29 April 2019, we announced our unaudited consolidated financial results as at and for the three months ended 31 March 2019. On 1 January 2019, the Group adopted IFRS 16 - Leases (“IFRS 16”). The Group elected to use the modified retrospective approach for the adoption of IFRS 16 and recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019. The consolidated financial statements of the Group for the year ended 31 December 2018 and the unaudited consolidated financial results for the three months ended 31 March 2018 (in each case as presented and/or incorporated by reference in this Offering Circular) do not reflect the impact of adoption of this new standard.

***Investors should be cautious and not place undue reliance on quarterly consolidated financial information of the Group incorporated by reference that is not audited or reviewed.***

As a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Bank publishes quarterly consolidated financial information of the Group to satisfy its continuing disclosure obligations. Unless specified otherwise, any consolidated quarterly financial statements of the Group incorporated by reference in this Offering Circular are not audited or reviewed by an independent auditor. Consequently, such financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Arrangers, the Dealers or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group’s financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year.

***The collateral or guarantees securing our loans may not be sufficient, or we may be unable to realise the full value of the collateral or guarantees in a timely manner or at all.***

A significant portion of our loans is secured by collateral or guarantees. As at 31 December 2018, 45.8 per cent. and 8.1 per cent. of our total loans were secured by mortgages and pledges, respectively, with 14.0 per cent. of our total loans being secured by guarantees. The remainder of our loans as at 31 December 2018 were unsecured loans.

The pledged collateral securing our loans includes, among others, bond and equity securities. The mortgages securing our loans primarily comprise real properties and other assets. The value of the collateral securing our loans may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the economy of the PRC. For example, a downturn in the PRC’s real estate market may result in a

decline in the value of the real properties securing our loans to levels significantly below the outstanding principal and interest balances of such loans. Any decline in the value of such collateral may reduce the amounts we can recover from such collateral and increase our impairment losses. We may not have updated valuations of such collateral, which may adversely affect the accuracy of our assessment of our loans secured by such collateral.

Some of the guarantees securing our loans are provided by the borrowers' affiliates or third parties. Some of such loans and advances are not backed by collateral other than guarantees. A significant deterioration in the financial condition of a guarantor could significantly decrease the amounts we may recover under such guarantees. Moreover, we are subject to the risk that a court or other judicial or government authority may declare a guarantee to be invalid or otherwise decline or fail to enforce such guarantees. We are therefore exposed to the risk that we may not be able to recover all or any part of the amounts guaranteed in respect of our loans.

In the PRC, the procedures for liquidating or otherwise realising the value of non-cash collateral may be protracted, and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral securing NPLs. If the value of our collateral decreases to a level that is insufficient to cover the outstanding amounts of loans, or if we are unable to realise the full value of the collateral and guarantees securing our loans on a timely basis, it may materially and adversely affect our asset quality, financial condition and results of operations.

## **Other Risks Relating to Our Business**

### ***We are subject to interest rate risk.***

Similar to most PRC commercial banks, our results of operation depend to a large extent on our net interest income, which represented 77.3 per cent. and 79.0 per cent. of our operating income for the years ended 31 December 2017 and 2018, respectively.

Our net interest income is sensitive to adjustments in the benchmark interest rates set by the PBOC. The PBOC publishes and adjusts benchmark interest rates on loans and deposits from time to time. Moreover, the upper limit of the interest rate floating range was removed by the PBOC on 24 October 2015. On the other hand, the PBOC continues to liberalise the restrictions on interest rates for loans. For example, on 20 July 2013, the PBOC eliminated the minimum interest rate requirements for RMB-denominated loans.

The PBOC may further liberalise the existing interest rate restrictions in the future. If the existing regulations were substantially liberalised or eliminated, loan-deposit spreads in the PRC banking industry may further narrow due to market competition, which may materially reduce our net interest income. Furthermore, we cannot assure you that we will be able to diversify our businesses and adjust the composition of our asset and liability portfolios and our pricing mechanism to enable us to effectively respond to the further liberalisation of interest rates.

In addition, adjustments made by the PBOC to the benchmark interest rates on loans or deposits, or any changes in market interest rates, may negatively impact our financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets and the average cost on our interest-bearing liabilities to different extents and may narrow our net interest margin, leading to a reduction in our net interest income. In addition, an increase in interest rates for loans could result in increases in the financing costs of our customers, reduce overall demand for loans and increase the risk of customer default, while a reduction in interest rates for deposits could cause our depositors to withdraw their funds from us.

We are also engaged in trading and investment activities involving some financial instruments in the domestic market. As the derivatives market has yet to develop in the PRC, risk management tools available to us for

hedging market risks are limited. Income from these activities may fluctuate due to, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates will cause the value of our fixed-rate securities to decrease, which may materially and adversely affect our results of operations and financial condition.

***We are subject to currency risk.***

We are subject to currency risk arising from losses incurred due to unfavourable exchange rate fluctuations on our foreign exchange exposures resulting from the unmatched currency structure between foreign currency-denominated assets and foreign currency-denominated liabilities. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other factors, changes in the PRC's and international political and economic conditions.

Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2 per cent. against the U.S. dollar. In August 2008, the PRC announced a further change in its exchange regime to a managed floating exchange rate regime based on market supply and demand. Since the Renminbi foreign exchange rate reform beginning on 21 July 2005, the PBOC has adjusted the daily floating band of the Renminbi trading prices against the U.S. dollar in the inter-bank spot foreign exchange market three times: effective from 21 July 2007, the daily floating band of the Renminbi trading prices against the U.S. dollar was expanded from 0.3 per cent. to 0.5 per cent.; effective from 16 April 2012, such floating band was further expanded to 1 per cent.; and effective from 17 March 2014, such floating band was further expanded to 2 per cent. In August 2015, the PRC Government thrice lowered the daily mid-point trading price of the Renminbi against the U.S. dollar, which was the most significant downward adjustment of the Renminbi in more than a decade (see “— *Risks Relating to Renminbi Denominated Notes — Investment in the Renminbi Notes is subject to exchange rate risks*”). The PRC Government may make further adjustments to the exchange rate system in the future. Any appreciation of Renminbi against the U.S. dollar or any other foreign currency may result in a decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of Renminbi may adversely affect the value of our assets in Renminbi terms.

***We are subject to liquidity risk.***

Customer deposits have historically been our main source of funding. As at 31 December 2018, 48.3 per cent. of our total customer deposits were demand deposits. If a substantial portion of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, we may need to pay higher costs to obtain alternative sources of funding to meet our funding requirements. Our ability to obtain additional sources of funding may be affected by factors such as deterioration of market conditions and disruptions to financial markets. We may not be able to secure required funding on commercially acceptable terms on a timely basis or at all, which could result in liquidity risk and materially and adversely affect our business, financial condition and results of operations.

In addition, we rely on the inter-bank money market to obtain a portion of our funding, including the portion of funds that are used to manage our liquidity. Any fluctuation in liquidity or funding costs on the inter-bank money market, including as a result of a financial or other crisis or changes in the PBOC's policies or practices affecting the liquidity of other banking institutions, may materially and adversely affect our ability to fund our business and manage our liquidity through the inter-bank money market.

***We are subject to risks related to the expansion of our products, services and business scope.***

In recent years, we have actively developed a number of new products and expanded the scope of our services, including, among others, investment banking, asset management, insurance and financial leasing. We are

exposed to a number of risks in connection with our expansion. For example, we may not be able to develop successfully our new businesses due to our limited experience in a particular product or service; the anticipated market demand for our new products or services may not materialise; we may not successfully hire or retain personnel who have the relevant skills and experience; and regulators may revoke or withhold their approval for any products and services that we have offered or plan to offer. As a result, the return on our new products, services or businesses may be less, or realised later, than expected, which may materially and adversely affect our business, financial condition and results of operations.

***We have expanded our business into jurisdictions other than the PRC, which has increased the complexity of the risks that we face.***

In recent years, we have taken actions to expand our international operations. As at 31 December 2018, we had 426 overseas institutions in 47 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group Limited. We had also established correspondent relationships with 1,502 overseas banks in 145 countries and regions, with a service network covering Asia, Africa, Latin America, Europe, North America and Australia as well as major international financial centres. As at 31 December 2018, we maintained 131 institutions in 21 countries and regions along the “Belt and Road”. Our expansion into jurisdictions outside of the PRC subjects us to new regulatory and operational challenges and risks and has also increased the complexity of our risks in a number of areas, including currency risk, interest rate risk, regulatory and compliance risk, reputational risk and operational risk. The loan portfolio of our international branches includes foreign currency-denominated loans to Chinese companies engaged in international trade. This exposes us to additional risks including default risk resulting from a failure in the performance of the import or export agreements by any party, trade protectionist measures or other factors, and our inexperience in various aspects of the economic and legal framework in overseas markets. Adverse market conditions in these international jurisdictions may result in mark-to-market and realised losses on the investment assets held by our overseas branches and increase their cost of funding.

Furthermore, despite our best efforts to comply with all applicable regulations in the jurisdictions in which we operate, there may be incidences of our failure to comply with the regulations in certain jurisdictions. Regulators in these jurisdictions may have the power to bring administrative or judicial proceedings against us or our employees, representatives, agents and third-party service providers, which could result in, among others, suspension or revocation of one or more of our licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary actions.

In addition, the volatility in the global economic and financial systems in recent years has led and may in the future lead to significant regulatory changes in various jurisdictions, including those in which we have operations. These changes may include those with respect to capital and liquidity ratios, cross-border capital flows and consumer protection. The extent and impact of such changes is difficult to anticipate and estimate, and such changes could have an adverse impact on our growth, capital adequacy and profitability. If we are unable to manage the risks resulting from our international expansion, our business, financial condition and results of operations may be materially and adversely affected.

***We have been increasingly focused on the development of wealth management products in recent years, and we are subject to risks relating to adverse developments or changes in regulatory policies relating to these products.***

In recent years, growth of deposits in the PRC banking industry has begun to slow as progress has been made in terms of interest rate liberalisation, financial disintermediation and financing channel expansion. In response to such developments, PRC commercial banks, including the Group, provide wealth management and other financial services through their wealth management businesses. As at 31 December 2018, our outstanding balance of wealth management products was RMB2,575.8 billion.

Our wealth management products primarily represent investments in, among others, bonds, deposits and highly liquid money market investment instruments, other debt instruments, equity instruments and other types of assets that are compliant with regulatory requirements. As most of the wealth management products issued by us are non-principal protected products, we are not liable for any loss suffered by investors in these products. However, to the extent investors suffer losses on these wealth management products, our reputation may be severely damaged, and we may also suffer a loss of business, customer deposits and net income. Furthermore, we may eventually bear losses for non-principal protected products if the investors bring lawsuits against us and the court decides that we are liable for mis-selling such products or otherwise.

In addition, the tenors of wealth management products issued by us are often shorter than those of the underlying assets. This mismatch subjects us to liquidity risk and requires us to issue new wealth management products, sell the underlying assets or otherwise address the funding gap when existing wealth management products mature. PRC regulatory authorities have introduced regulatory policies to restrict the scale of PRC commercial banks' investments in non-standard debt-based assets with funds raised from wealth management products. If PRC regulatory authorities further restrict the wealth management business of PRC commercial banks, it could materially and adversely affect our business, financial condition and results of operations.

***We are subject to risks associated with off-balance sheet credit commitments and guarantees.***

Our off-balance sheet credit commitments and financial guarantees primarily consist of, *inter alia*, bank acceptances, loan commitments, guarantees and letters of credit. As at 31 December 2018, our credit risk-weighted amount of credit commitments was RMB1,402.7 billion, and our credit commitments amounted to RMB3,229.5 billion. We are exposed to credit risk related to such credit commitments and guarantees. If our customers cannot perform their obligations, we will need to fulfil the related commitments and guarantees. In addition, if we cannot obtain compensation from relevant customers, our business, financial condition and results of operations may be materially and adversely affected.

***We are subject to risks associated with our risk management and internal control policies and procedures.***

We have been proactively implementing our risk management system and improving our risk management and internal control capabilities. Nonetheless, our risk management and internal control capabilities are limited by the information and risk management tools or technologies available to us. Our ability to implement and maintain strict internal control may be affected by our expansion in business scale and business scope. We cannot assure you that all of our employees will always comply with our internal control policies and procedures. If there are any deficiencies in our risk management and internal control policies and procedures, we may be subject to credit risk, liquidity risk, market risk, operational risk or reputational risk, which may materially and adversely affect our business, financial condition and results of operations.

***We are subject to operational risks and risks relating to our information technology systems.***

We are subject to operational risks such as internal and external fraud, risks related to customers, products and business activities, execution risks, closing and process management risks, employment system and workplace safety, damage to physical assets and risks related to information technology systems.

We have established a series of policies and procedures to identify, assess, monitor, manage and report operational risks according to the “Guidance to the Operational Risk Management of Commercial Banks” (商業銀行操作風險管理指引) issued by the former CBRC. Operational failures may cause losses to us if these measures are not put in place effectively or do not adequately cover all aspects of our operations.

We depend on our information technology systems to process accurately a large number of transactions on a timely basis and to store and process most of our data regarding our business and operations, which include our financial control, risk management, accounting, customer service and other data processing systems, together

with the communication networks between our various branch outlets and our main data processing centre. We have adopted a number of technical measures and management initiatives to ensure the secure and reliable operation of our information systems. We have also proactively developed information security protection initiatives. However, if a portion or all of our information technology systems malfunction due to any defect in software or hardware or any deficiency in our information security protection (including any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment), or we fail to effectively improve or upgrade our information technology systems on a timely basis, our business, financial condition and results of operations could be materially and adversely affected.

***We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities.***

We are required to comply with applicable laws and regulations relating to anti-money laundering and anti-terrorism in the PRC and other jurisdictions where we operate. Save as disclosed below, we are not currently aware of any money laundering or other major illegal or improper activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you such activities will not take place in the future or that we can completely eradicate money laundering activities, activities carried out by terrorists and terrorist-related organisations or other improper activities carried out by organisations or individuals through the Group and certain entities within the Group have been (and may in the future be) subject to fines and other sanctions in respect of such activities.

Industrial and Commercial Bank of China (Europe) S.A. (“ICBC Europe”), a wholly-owned subsidiary of the Bank, together with ICBC Europe’s Spain branch, are currently cooperating with the relevant Spanish authorities in investigations directed against ICBC Europe (although no formal charges have been brought against either ICBC Europe or its Spain branch) relating to alleged money laundering activities, and no assurance can be given regarding the likely outcome of such investigations. In addition, the New York Branch of the Bank, and the Bank itself, are currently cooperating with the Federal Reserve Bank of New York (the “Federal Reserve”) following the identification by the Federal Reserve of significant deficiencies in the New York Branch’s risk-management and money-laundering compliance programmes. We continue to work with all relevant regulatory agencies to ensure compliance with applicable regimes.

If we fail to timely detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies may have the power and authority to impose sanctions on us (including but not limited to fines, revocation of licences and/or other sanctions), which may materially and adversely affect our business, financial condition and results of operations.

***We may not be able to detect and prevent all fraud or other misconduct committed by our employees or third parties.***

We have continued to strengthen the detection and prevention of fraud or other misconduct committed by our employees or third parties. However, we cannot assure you that our internal control policies and procedures will completely and effectively prevent all fraud or other misconduct committed by our employees or third parties. Any fraud or misconduct involving us or our employees may adversely affect our business, financial condition and results of operations.

***We are subject to risks related to property title certificates or other licences and certificates.***

We own and lease properties in the PRC. For some of the properties we own, we have not obtained building ownership certificates, state-owned land use right certificates or both. For some of the properties we lease, the lessors have not provided us with the relevant title certificates of the property and/or consent letters from the relevant property owners to sublease. Even though we have been provided with written undertakings for some

leased properties indicating that the lessors will compensate our potential loss due to defects in relevant property title certificates or the relevant lease agreements contain such undertakings, if we have to relocate our branches or sub-branches due to title defects with regard to properties owned or leased by us, we will incur additional costs relating to such relocation.

In addition, a small number of our branches are currently in the process of applying for new financial licences, business licences and/or other licences due to licence renewal requirements, upgrades of branch offices, changes of name, relocation or changes of business nature. Any failures to receive such licences or delays may have an adverse effect on our business and operations.

***We or our customers may be subject to OFAC or other penalties if we are determined to have violated any OFAC regulations or similar sanctions.***

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. Other governments and international or regional organisations also administer similar economic sanctions. If our New York branch or any of our overseas branches engages in any prohibited transactions by any means, or if it is otherwise determined that any of our transactions violated OFAC-administered or other sanctions regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect our business, financial condition and results of operations.

***We are exposed to risks in relation to the bonds issued by Huarong in connection with an extraordinary disposal of certain NPLs.***

During the period from 1999 to 2001, we disposed of non-performing assets with a book value of RMB407.7 billion to China Huarong Asset Management Corporation (now known as China Huarong Asset Management Co., Ltd., "Huarong") and received 10-year non-transferrable bonds issued by Huarong with a nominal value of RMB313.0 billion (the "Huarong Bonds") as well as RMB94.7 billion in cash as consideration. Huarong is a state-owned non-bank financial institution that has been approved by the State Council and was established in October 1999 primarily to acquire and manage non-performing assets from us. The Huarong Bonds have a fixed interest rate of 2.25 per cent. per annum. Huarong has paid interest on the bonds to us in a timely manner in the past pursuant to the terms of the bonds. In addition, the Ministry of Finance (the "MOF") issued a notice on 14 June 2005 to the effect that: (1) with effect from 1 July 2005, in the event of any failure of Huarong to pay for the interest on the bonds in full to us, the MOF will provide financial support; and (2) if necessary, the MOF will provide support for the payment of the principal of the bonds issued by Huarong.

During the period from 2010 to 2011, the Huarong Bonds held by us matured. In accordance with the "Letter from MOF in Respect of the Bonds Issued by Huarong held by Industrial and Commercial Bank of China" (Cai Jin Han [2010] No. 105), the MOF agreed that the term of the Huarong Bonds held by us would be extended for 10 years after their expiration, the terms of the bonds such as the interest rate would remain unchanged and the MOF would continue its support for the principal and interest payments in relation to the Huarong Bonds held by us. Given the MOF's sovereign credit rating, we believe the recoverability of the bonds issued by



Huarong can be reasonably guaranteed. As at 31 December 2018, we received accumulated early repayments of RMB222,687 million under the Huarong Bonds.

In consideration of the various investment channels and market returns currently available in the market, there is a certain level of opportunity cost borne by our holding the Huarong Bonds. However, given the large investment size and long investment term of the bonds, if the principal of the Huarong Bonds were to be reallocated, it would be difficult to allocate all the capital to long-term loans. We would only be able to allocate to non-credit assets, with the investment returns limited by the size of the Renminbi bond market. Therefore, we believe the opportunity cost of holding the Huarong Bonds has a relatively small impact on our operations.

The Huarong Bonds are financial bonds placed to us with the approval of the PBOC and were specifically issued for Huarong's acquisition of certain of our non-performing assets. There are no similar bonds in the open bond market, and there is no active market for such bonds. In accordance with the accounting standards applicable to us, due to the lack of available valuation information and an active market and the fixed repayment amounts, we classify the Huarong Bonds as receivables relating to bonds investment and measure them at amortised cost using the effective interest method. Given that the interest on each payment term of the Huarong Bonds has been paid in full and in a timely manner, and that the MOF has provided its support for the principal and interest payment in relation to the Huarong Bonds, there is no event of impairment of financial assets under the applicable accounting standards. As such, we are of the view that the determination of the fair value of the renewed Huarong Bonds at initial recognition met the relevant requirements under the applicable accounting standards. The replacement of the original Huarong Bonds by the renewed Huarong Bonds did not result in a loss on derecognition or an impairment in our financial statements.

We expect that the MOF will perform its obligations as set out in the notices when necessary. However, due to the absence of any precedent for requesting the fulfilment of, or otherwise resorting to other legal procedures to seek the enforcement of, similar undertakings by the MOF or other PRC Government authorities, we cannot guarantee any enforcement of such notices by operation of law. In the event of any failure of Huarong to discharge any of its payment obligations relating to such bonds or of the obligations of the MOF in such notices to be enforced by operation of law, our business, financial condition and results of operations may be materially and adversely affected.

***We are exposed to risks relating to bonds issued by Huijin.***

As at 31 March 2019, Central Huijin Investment Ltd ("Huijin") directly held 34.71 per cent. of our total combined H Shares and domestic-listed shares (the A Shares, and together with the H Shares, the "Ordinary Shares"). In August and September 2010, Huijin issued the Central Huijin Investment Ltd. bonds (the "Huijin Bonds") in the national inter-bank bond market.

The former CBRC issued the "Letter of Approval from the CBRC on Matters in respect of the Issuance of Renminbi Bonds by Central Huijin Investment Ltd." (Yin Jian Han [2010] No. 285), pursuant to which the former CBRC confirmed its treatment of the Huijin Bonds as policy financial bonds, and the risk weight associated with the investment in such bonds by commercial banks is zero. Huijin, on behalf of the State, will use the proceeds raised from such issuance for the purpose of making capital contributions to The Export-Import Bank of China and China Export & Credit Insurance Corporation and supplementing our capital and the capital of Bank of China Limited and China Construction Bank Corporation.

We subscribed for the Huijin Bonds by way of tender in the open market. As at 31 December 2018, we held an amount of RMB38.77 billion face value of Huijin Bonds, for a term from one year to 30 years with an interest rate between 3.12 per cent. and 5.15 per cent. per annum. In the event of any failure of Huijin to discharge any of its payment obligations relating to such bonds or of the obligations in such notices to be enforced by operation of law, our business, financial condition and results of operations may be materially and adversely affected.

***We are subject to reputational risks related to our business operations.***

With the rapid development of the financial industry and changes in media communication, the public is paying increasing attention to the banking industry, resulting in easier and more frequent access to rumours related to banks' services quality, their operations and management and compliance issues. Such coverage may lead to negative feedback from depositors, investors and other shareholders, which may adversely affect our normal operations and management, and could adversely affect our liquidity if such negative coverage leads to depositors and other banks withdrawing their funds or refusing to lend to us. Within the banking industry, the banks have close interbank relationships with one another, and interbank deposits and lending are relatively common. If a bank does not operate properly or becomes insolvent, a chain reaction may occur, which may trigger a confidence crisis towards the whole banking industry, and materially and adversely affect our financial condition and results of operations.

***We are subject to counterparty risks in our derivative transactions.***

We act primarily as an intermediary in domestic and international foreign exchange and derivative markets, and we currently have exchange rate contracts, interest rate contracts and commodity derivatives contracts with a number of domestic and international banks, financial institutions and other entities. As a result, we are subject to credit risk from our various counterparties. As at 31 December 2018, the notional amount of our outstanding derivative financial instruments amounted to RMB8,857,313 million, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB44,552 million and RMB45,254 million, respectively, and the net derivative assets and net derivative liabilities were RMB25,906 million and RMB26,608 million, respectively. Although we cautiously evaluate the credit risks from our counterparties in our derivative transactions and believe that the overall credit quality of our counterparties is adequate, there can be no assurance that parties with significant risk exposure will not have difficulty in fulfilling derivative contracts that may cause losses for us.

***Due to restrictions in certain PRC regulations, our investments are concentrated in certain types of investment products, we may experience significant decreases in the value of a particular type of investment.***

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC government bonds, bills and open market instruments issued by the PBOC, bonds issued by PRC policy banks and credit products issued by PRC financial and non-financial institutions (including bonds and subordinated notes issued by PRC commercial banks and insurance companies). These restrictions limit our ability to diversify our investment portfolio and seek higher returns by making investments comparable with those of banks in other countries as well as our ability to manage our liquidity in the same manner as banks in other countries. In addition, we are exposed to a certain level of risk as a result of the concentration of our RMB-denominated fixed income securities investments. For example, fluctuation in interest rates or deterioration of the financial condition of the issuers of such fixed income securities may cause their value to decrease. A decrease in the value of any of these types of investments could have a material adverse effect on our business, financial condition and results of operations.

***The banking industry is subject to extensive regulation, which is undergoing major changes that will impact our business.***

Like other major banks, we are subject to extensive regulation by regulators and exchanges in each of the major markets where we conduct our business. These laws and regulations significantly affect the way we do business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments.

In response to the financial crisis, legislators and regulators around the world have adopted, continue to propose and are in the process of adopting, finalising and implementing a wide range of financial market reforms that are resulting in major changes to the way our global operations are regulated and conducted. In particular, as a result of these reforms, we are, or will become, subject to (among other things) significantly revised and expanded regulation and supervision, more intensive scrutiny of our businesses and any plans for expansion of those businesses, new activities limitations, a systemic risk regime that imposes heightened capital and liquidity requirements and other enhanced prudential standards, new resolution regimes and resolution planning requirements, new restrictions on activities and investments imposed by Section 619 of the Dodd-Frank Act (such statutory provision together with such implementing regulations, the “Volcker Rule”), and comprehensive new derivatives regulation. While certain portions of these reforms are effective, others are still subject to final rulemaking or transition periods. Many of the changes required by these reforms could materially impact the profitability of our businesses and the value of assets we hold, expose us to additional costs, require changes to business practices or force us to discontinue businesses, adversely affect our ability to pay dividends and repurchase our stock, or require us to raise capital, including in ways that may adversely impact our shareholders or creditors. In addition, regulatory requirements that are being proposed by foreign policymakers and regulators may be inconsistent or conflict with regulations that we are subject to in the U.S. and, if adopted, may adversely affect us. While there continues to be uncertainty about the full impact of these changes, we are and will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future. For example, the Volcker Rule provisions of the Dodd-Frank Act will have an impact on us, including potentially limiting various aspects of our business.

## **RISKS RELATING TO THE PRC BANKING INDUSTRY**

### ***Our business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC.***

Our business is inherently subject to global capital market fluctuations and general economic conditions. Global market factors, including economic growth rates, inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending and the volatility and strength of the capital markets all affect the business and economic environment and, ultimately, the amount and profitability of our business. In particular, uncertain economic conditions, volatility and disruptions in global capital markets, such as those that occurred in late 2008 and 2009 during the global financial crisis, can have a material adverse effect on the Group.

The economic recovery since the global financial crisis has been slow, with economic growth rates in major economies such as Europe, the United States, Japan and the PRC generally remaining persistently lower than pre-crisis levels. Moreover, there are on-going concerns about European sovereign debt levels and the consequences for economic growth and investor confidence in the Eurozone, the prolonged period of uncertainty around the exit of the United Kingdom from the European Union, political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States, and raising of interest rates by the U.S. Federal Reserve. Uncertainties in the global and the PRC’s economies may adversely affect our business, financial condition and results of operations in many ways, including, among others:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their loan repayments or other obligations to us, which, in turn, could result in a higher level of NPLs, allowances for impairment losses and write-offs;

- the increased regulation and supervision by the financial services industry in response to the financial crisis in certain jurisdictions where we operate may restrict our business flexibility and increase our compliance costs;
- the value of our investments in the equity and debt securities issued by overseas governments and financial institutions may significantly decline;
- our ability to raise additional capital on favourable terms, or at all, could be adversely affected; and
- trade and capital flows 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 our business prospects.

Any potential market and economic downturns, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. In addition, global economic uncertainty and the slowdown in PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. We cannot predict whether or when such actions may occur, nor can we predict what ultimate impact, if any, such actions or any other governmental actions could have on our business, results of operations and financial condition. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. If further economic downturn occurs or continues, our business, financial condition and results of operations could be materially and adversely affected.

***We face increasingly intense competition in the PRC's banking industry and competition from other investment and financing channels.***

The banking industry in the PRC is becoming increasingly competitive. We face competition from commercial banks in all of our principal areas of business where we have operations. On 1 July 2013, the General Office of the State Council of the PRC issued the Guidance Letter regarding Financial Support for Promoting Economic Restructuring and Transformation (國務院辦公廳關於金融支援經濟結構調整和轉型升級的指導意見) (the "Guidance Letter"). The Guidance Letter, among others, encourages investment by private-sector capital in financial institutions and the establishment of privately owned banks. The Guidance Letter provides a policy direction to the increasing involvement of private-sector capital in the financial industry in the PRC. We may face increasing competition from privately owned banks in the future.

We compete with our competitors for substantially the same loan, deposit and fee and commission-based products and services customers. Such competition may materially and adversely affect our business and future prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services and increasing competition for soliciting senior management talent and qualified professional personnel.

In addition, we may face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative ways of financing to fund their capital needs, this may adversely affect our interest income, which could in turn materially and adversely affect our business, financial condition and results of operations.

In addition to competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in the PRC. In recent years, financial disintermediation, which involves the movement of funds by investors from intermediary financial institutions such as savings and deposit-taking banks to direct investments, has increased in the PRC. Our deposit customers may elect to convert their funds

into stocks, bonds and wealth management products, which may result in a decrease in our customer deposits, therefore further affecting the level of funds available to us for our lending business to generate net interest income. Meanwhile, financial disintermediation may result in a decrease in the enterprise demand for loans, which could materially and adversely affect our business, financial condition and results of operations.

***We are subject to risks related to uncertain changes in the regulatory environment of the PRC's banking industry.***

Our businesses are directly affected by changes in the PRC's banking regulatory policies, laws and regulations. The regulatory system and the laws and regulations governing the banking sector are subject to future changes, and we cannot assure you that such changes will not materially and adversely affect our business, financial condition and results of operations.

In addition, our overseas branches, subsidiaries and representative offices have to comply with the local laws and regulations of the relevant jurisdiction and are subject to regulation and approval by the local regulatory authorities in the relevant jurisdiction. We cannot assure you that our overseas branches, subsidiaries and representative offices can always satisfy applicable laws and regulatory requirements. If we do not meet such requirements, our business in the relevant jurisdiction may be affected, which may materially and adversely affect our business, financial condition and results of operations.

***We are subject to risks related to changes in monetary policy.***

PRC monetary policy is set by the PBOC in accordance with the macroeconomic environment. In addition, the PBOC controls monetary supply through open market operations and adjustments to the deposit reserve ratio and rediscount rate in order to achieve targeted control over the economy. As commercial banks are a major means to implement monetary policy, changes in monetary policy will affect their operations and profitability. If we cannot timely adjust our operating strategy in response to the changes in monetary policy, our business, financial condition and results of operations may be materially and adversely affected.

***We cannot provide assurance that we will be able to satisfy the capital adequacy requirements of the former CBRC or the CBIRC or as a G-SIB pursuant to Basel III, and we are subject to risks related to potential Capital Adequacy Ratio fluctuations.***

On 16 December 2010 and on 13 January 2011, the Basel Committee on Banking Supervision (the "Basel Committee") issued the final text and guidance on a number of fundamental reforms to the regulatory capital framework (such reforms being commonly referred to as "Basel III"). Following the issuance of Basel III, on 27 April 2011, the former CBRC issued new guidelines setting more stringent capital adequacy, leverage, liquidity and loan loss provisioning requirements for PRC banks in accordance with the reform of the PRC's banking industry and the related regulatory framework. On 7 June 2012, the former CBRC further issued the Capital Regulation, which established a unified and comprehensive regulatory system for capital adequacy, re-defined the term "capital", expanded the scope of capital risk coverage and set forth different regulatory requirements for commercial banks with different capital adequacy levels, including the categorisation of regulatory requirements on capital into four levels. The first level requirements are the lowest, under which the requirements for Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio are set at 5 per cent., 6 per cent. and 8 per cent., respectively; the second level requirements set the requirements for reserve capital and counter-cyclical capital at 2.5 per cent. and 0 per cent. – 2.5 per cent., respectively; the third level sets the requirement for systemically important institutions at 1 per cent.; and the fourth level requirement is in relation to the criteria for the second pillar capital. In addition, the Capital Regulation set forth a new method for calculating the Capital Adequacy Ratio and provided a transition period for PRC commercial banks to meet their capital adequacy requirements. The Capital Regulation became effective on 1 January 2013. Pursuant to the Notice of Interim Arrangement for Implementation of the Administrative Measures for the Capital of Commercial Banks of the PRC (Provisional) (中國銀監會關於實

施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC encouraged commercial banks that had satisfied the capital adequacy requirements in the Capital Regulation before the end of 2012 to continue to meet such requirements during the transition period, and the commercial banks that had failed to meet such requirements by the end of 2012 to improve gradually their capital adequacy during the transition period by satisfying the year-by-year capital adequacy requirements. Furthermore, the Financial Stability Board identified us as a globally systemically important bank (“G-SIB”) on 11 November 2013. As a G-SIB, we are required to satisfy heightened capital adequacy ratios pursuant to Basel III.

As at 31 December 2018, our Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio, as calculated in accordance with the Capital Regulation, were 12.98 per cent., 13.45 per cent. and 15.39 per cent., respectively, and satisfied applicable regulatory requirements.

We aim to maintain a stable and reasonable capital adequacy level in order to support the implementation of our business development and strategic planning. However, certain adverse changes may lead to fluctuations in our Capital Adequacy Ratio. Such adverse changes include, but are not limited to, an increase of risk weighted assets due to rapid business expansion, an increase of capital-deducting equity acquisitions and investments, potential deterioration in our asset quality, a decline in the value of our investments and an increase in the minimum Capital Adequacy Ratio requirement by the CBIRC, as well as changes in the computational method for Capital Adequacy Ratio applied by the CBIRC. We may be required to raise additional core or supplementary capital in the future in order to meet the minimum CBIRC capital adequacy requirements. To raise additional capital in order to meet the minimum CBIRC capital adequacy requirements, we may need to issue additional equity securities that qualify as core capital or other qualifying instruments. However, our ability to obtain additional capital may be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows; necessary government regulatory approvals; our credit rating; general market conditions for capital-raising activities by commercial banks and other financial institutions; and economic, political and other conditions both within and outside the PRC. We cannot assure you that we will be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. As such, there can be no assurance that we will continue to be able to comply with our capital adequacy requirements.

Furthermore, the CBIRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or Capital Adequacy Ratio, or we may otherwise be subject to new capital adequacy requirements. If our Capital Adequacy Ratio does not meet the regulatory requirements, the regulatory authorities may adopt certain corrective measures including, but not limited to, restricting the growth of our risk-bearing assets, suspending all of our operation activities other than low-risk business, as well as restricting our dividend payment, which may materially and adversely affect our business, financial condition and results of operations.

***The growth rate of the banking industry in the PRC may not be sustainable.***

We expect the banking industry in the PRC to expand as a result of anticipated growth in the PRC’s economy, increases in household income, further social welfare reforms, demographic changes and the opening of the PRC’s banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of the PRC’s economic growth, the PRC’s implementation of its commitments to World Trade Organisation accession, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system, will affect the PRC’s banking industry. In addition, the banking industry in the PRC may be affected by systemic risks. Consequently, there can be no assurance that the growth and development of the PRC’s banking industry will be sustainable.

***The effectiveness of our credit risk management is affected by the quality and scope of information available in the PRC.***

National credit information databases developed by the PBOC have been operational only since 2006. Due to the short operational history, such databases are not able to provide complete credit information on many of our credit applicants. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. As a result, our ability to manage effectively our credit risk may be adversely affected, which may materially and adversely affect our business, financial condition and results of operations.

***Certain facts and statistics and information relating to us are derived from publications not independently verified by us, the Arrangers or the Dealers or any of their respective directors, employees, representatives, affiliates or advisers.***

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable. While reasonable care has been taken to ensure that the facts and statistics or information relating to us presented in this Offering Circular have been accurately extracted from such sources, such facts, statistics and information have not been independently verified by us, the Arrangers or the Dealers or any of our or their respective directors, employees, representatives, affiliates or advisers; therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

## **RISKS RELATING TO THE PRC**

***The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect us.***

A substantial part of our revenue is derived from the PRC. We rely, to a significant degree, on our domestic operations to achieve revenue growth. Domestic demand for banking services is materially affected by growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the economic growth in many countries, including the PRC. Although the PRC's economic growth has increased compared to its level immediately after the global financial crisis, it has displayed signs of slowdown as evidenced by a decrease in the growth rate of the PRC's gross domestic product ("GDP") in recent years. This was caused by a combination of factors most of which are beyond our control, such as the global economic conditions, governmental policies and changes in market dynamics globally and regionally. In 2018, the PRC Government reported a GDP of RMB90.03 trillion, representing year-on-year growth of 6.6 per cent. In the first quarter of 2019, the PRC Government reported a GDP of RMB21.34 trillion, representing year-on-year growth of 6.4 per cent. according to the statistics released by National Bureau of Statistics of China. Although the PRC Government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective. There are uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact to our business, prospects, financial conditions and results of operations.

***Turmoil in the financial markets could increase our cost of borrowing and impede access to or increase the cost of financing our operations and investments***

The availability of credit to entities operating within emerging markets, including us, is significantly influenced by levels of investor confidence in such markets as a whole. Any factors that may affect market confidence could affect the costs or availability of funding for entities within emerging markets. Historically, challenging market conditions in emerging markets have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. In 2015, the PRC stock markets experienced significant turmoil and disruption. Throughout June and early July of 2015, the Shanghai Composite Index experienced significant declines and many PRC-listed companies were subject to trading suspensions on major stock exchanges. The PRC Government responded by cutting interest rates, suspending initial public offerings and starting investigations into market manipulation in an effort to stabilise the market. Due to its increasing financial reliance upon PRC, Hong Kong's stock markets experienced a similar fluctuation during the relevant times and the Hang Seng Index had a record-breaking slump in a single day in the recent decade. As our shares are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, significant fluctuations in these financial markets could cause substantial adverse effects on our business operations and investments as a whole.

***The PRC's economic, political and social conditions, as well as government policies, could affect our businesses.***

A substantial majority of our businesses, assets and operations is located in the PRC. Accordingly, our business prospects, financial condition and results of operations are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. A substantial portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government also exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC Government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structures. Such economic reform measures may be adjusted, modified or applied differently depending on the industries and regions of the country. As a result, we may not benefit from certain of such measures.

The PRC Government has the power to implement macroeconomic controls affecting the PRC's economy. The PRC Government has implemented various measures in an effort to control the growth rate of certain industries and restrain inflation. As measured by GDP, the PRC has been one of the world's fastest growing economies in recent years. The PRC's real GDP growth was 6.9 per cent. and 6.6 per cent. in 2017 and 2018, respectively. In the first quarter of 2019, the PRC's economy expanded at an annual rate of 6.4 per cent. However, the PRC may not be able to sustain such a growth rate. During the recent global financial crisis and economic slowdown, the growth of the PRC's GDP slowed down. (See “— *Risks relating to the PRC — The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect us*” above.) If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for our customers could negatively impact their ability or willingness to repay our loans and reduce their demand for our banking services. Our business, financial condition and results of operations may be materially and adversely affected.



***The PRC legal system could limit the legal protections available to you.***

We are organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC Government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions that may be cited for reference, and such cases have limited precedent value, as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to you and can adversely affect the value of your investment.

***You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.***

We are organised under the laws of the PRC, and a substantial majority of our businesses, assets and operations are located in the PRC. In addition, a substantial majority of our directors, supervisors and executive officers reside in the PRC, and substantially all of their assets are located in the PRC. As a result, it may not be possible to serve legal written process within the United States or elsewhere outside the PRC upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable State securities laws.

Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. According to the Civil Procedure Law of the PRC (as amended in 2017), the PRC courts can recognise and enforce foreign judgments in accordance with the principal of reciprocity in the absence of international treaties. In addition, pursuant to the Arrangement of the Supreme People's Court between Mainland China and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), if the parties have expressly agreed in writing that the Hong Kong Court has sole jurisdiction over civil and commercial cases, the Chinese courts can recognise and enforce final judgments made by specific courts in Hong Kong (including the Court of Final Appeal, Court of Appeal, Court of First Instance and District Court) in relation to payments. Other than that, judgments made by courts in the United States and other courts in Hong Kong may not be recognised or enforced in the PRC.

As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter may be difficult or impossible.

***Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations.***

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, Severe Acute Respiratory Syndrome ("SARS"), Ebola virus disease ("Ebola"), Middle East Respiratory Syndrome corona virus ("MERS"), H5N1 influenza, H1N1 influenza or H7N9 influenza, may adversely affect our 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 our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn our business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, Ebola, MERS, H5N1 influenza, H1N1 influenza, H7N9 influenza or other epidemics, or the measures taken by the PRC Government or other countries in response to

a future outbreak of these epidemics, will not seriously interrupt our operations or those of our customers, which may have a material adverse effect on our business, financial condition and results of operations.

## **RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME**

### ***The ratings of the Notes may be downgraded or withdrawn.***

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Issuer to perform its obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The Issuer is not obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

### ***The 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 relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Pricing 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 relevant 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 relevant 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 relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (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.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

### ***Modifications and waivers***

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 also provide that the Agents may, without the consent of Noteholders or Couponholders agree to (i) any modification of any of the provisions of the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Agency Agreement) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement, that is in the opinion of the parties to the Agency Agreement, not materially prejudicial to the interests of the Noteholders.

### ***A change in English law which governs the Notes may adversely affect Noteholders.***

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

### ***The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or, provided a CMU Lodging and Paying Agent is appointed, lodged with the CMU Service (each of Euroclear, Clearstream, Luxembourg and the CMU Service, a “Clearing System”).

Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes and the Global Certificates.

Holders of beneficial interests in the Global Notes and the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

### ***Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.***

Notes may be issued with a minimum denomination. The Pricing Supplement for a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or a Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are 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. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

## **RISKS RELATING 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 international regulatory guidance and proposals for reform, particularly in the United Kingdom. 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, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the “Benchmarks Regulation”) was published in the Official Journal of the European Union on 29 June 2016 and applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union (the “EU”). It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international reforms, particularly in the United Kingdom 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 and that planning a transition to alternative reference rates that are based firmly on transactions, such as reformed SONIA (the Sterling Over Night Index Average), must begin. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards.

This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted. 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 terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). 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, particularly in the United Kingdom 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.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as LIBOR or EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an adjustment spread which, if applied, could be positive or negative, and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark. Under these fallback arrangements, the Issuer will use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Terms and Conditions of the Notes) to determine the Successor Rate or Alternative Reference Rate (as applicable) no later than five business days prior to the relevant Interest Determination Date (as defined in the Terms and Conditions of the Notes), but in the event that the Issuer is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable), the Issuer (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Reference Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Reference Rate (as applicable) determined by the Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, any determinations that may need to be made by the Issuer and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

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

***Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.***

The Notes may be redeemed at the option of the Issuer pursuant to Condition 9(b) (*Redemption for tax reasons*) and Condition 9(c) (*Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes. An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The 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 generally would 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 have features which are different from single currency issues.***

The 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) 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.

***Failure by an investor to pay a subsequent instalment of partly paid Notes may result in an investor losing all of its investment.***

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

***The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.***

Notes with variable interest rates can be volatile securities. 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 such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt. 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 typically are 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.

***If the Notes include a feature to convert the interest basis from fixed to floating interest rates and vice versa, this may affect the secondary market and the market value of the Notes concerned.***

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of

interest basis may result in a lower interest return for Noteholders. Where the Notes convert 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. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

***The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities.***

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.

***Investors may lose part or all of their investment in any Index-Linked Interest Notes issued.***

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Interest Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

***Notes issued as Green Bonds may not be a suitable investment for all investors seeking exposure to green assets***

The Issuer may issue Notes under the Programme which are specified to be "Green Bonds" in the applicable Pricing Supplement (any such Notes, "Green Bonds"). In connection with an issue of Green Bonds, the Issuer may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a "Second Party Opinion") confirming that any Green Bonds are in compliance with the Green Bond Principles 2017 (GBP 2017), ICMA (the "ICMA Green Bond Principles"), the Announcement of the People's Bank of China [2015] No.39 (中国人民银行公告 [2015] 第 39 号) and the Catalogue of Projects Supported by Green Bonds (绿色债券支持项目目录) promulgated by the PBOC on 15 December 2015 (the "PBOC Green Bond Categories") and the Guidelines for Establishing the Green Financial System (Yinfa 2016 Doc No. 228) (PBoC, Ministry of Finance, NDRC, Ministry of Environmental Protection, CBRC, CSRC and CIRC) (the "Guidelines for Establishing the Green Financial System"). The ICMA Green Bond Principles, the Green Bond Categories PBOC and the Guidelines for Establishing the Green Financial System are sets of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green", and therefore no assurance can be provided to potential investors that the relevant Eligible Green Assets (as defined in "Use of Proceeds" below) will continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognised by the ICMA Green Bond Principles, the PBOC Green Bond Categories and the Guidelines for Establishing the Green Financial System and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

Potential investors should be aware that any Second Party Opinion will not be incorporated into, and will not form part of, this Offering Circular or the applicable Pricing Supplement. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Series of Green Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Green

Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

Further, although the Issuer may agree at the relevant issue date of any Green Bonds to allocate the net proceeds towards the financing and/or refinancing of Eligible Green Assets (as defined in “*Use of Proceeds*” below) in accordance with certain prescribed eligibility criteria as described under the Green Bond Framework for Industrial and Commercial Bank of China, it would not be an event of default under the Green Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Pricing Supplement and/or (ii) any Second Party Opinion issued in connection with such Green Bonds were to be withdrawn. Any failure to use the net proceeds of any Series of Green Bonds in connection with green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Green Bonds may affect the value and/or trading price of the Green Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Neither the Issuer nor the Dealers make any representation as to the suitability for any purpose of any Second Party Opinion or whether any Green Bonds fulfil the relevant environmental criteria. Prospective investors should have regard to the relevant Eligible Green Asset (as defined in “*Use of Proceeds*” below) and eligibility criteria described in the applicable Pricing Supplement. Each potential purchaser of any Series of Green Bonds should determine for itself the relevance of the information contained in this Offering Circular and in the applicable Pricing Supplement regarding the use of proceeds and its purchase of any Green Bonds should be based upon such investigation as it deems necessary.

***Gains on the transfer of the 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 implementation rules, as amended from time to time, any gain realised on the transfer of the Notes by non-PRC resident enterprise Noteholders or individual Noteholders 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. The PRC Enterprise Income Tax Law levies PRC enterprise income tax at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholders from the transfer of the Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholders from the transfer of the Notes.

However, uncertainty remains as to whether the gains realised from the transfer of the Notes by non-PRC resident enterprises or individual Noteholders would be treated as income derived from sources within the PRC and become 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. If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Noteholders may be subject to PRC enterprise income tax at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Noteholders and (ii) the non-PRC resident individual Noteholders may be subject to PRC individual income tax at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholders. Unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-PRC resident enterprise or individual Noteholders of the Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in the Notes may be materially and adversely affected.



## **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 Tranche, such Tranche is to be consolidated with and form a single series with a Tranche 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 Issuer. 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 Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to listing on the Official List and to be admitted to trading on the LuxSE's Euro MTF market (and if any Green Bonds are to be issued under the Programme and listed on the LuxSE, the Issuer may also apply for such Notes to be displayed on LGX), there is no assurance that such application will be accepted, that any particular Tranche 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 Tranche of Notes.

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

The Issuer 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.

## **RISKS RELATING TO RENMINBI DENOMINATED NOTES**

Notes denominated in Renminbi (the "Renminbi Notes") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

***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 PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities or the relevant banks 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 being developed.

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

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

There are restrictions imposed by the 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 the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi in the offshore market. The limited availability of Renminbi outside the PRC may affect the liquidity of its Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer 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 Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. 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. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. In August 2015, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline. With an increased floating range of the Renminbi's value against foreign currencies and a more market-orientated mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace.

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

All 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 certificates held with the common depositary for Clearstream, Luxembourg and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be used:

- (a) for general corporate purposes of the Issuer, which may include, subject to compliance with applicable law, on-lending to the Bank and/or any of its subsidiaries or other branches;
- (b) if so specified in the relevant Pricing Supplement, to finance or refinance, in whole or in part, Eligible Green Assets (as defined below) that promote the transition to a low-carbon and sustainable economy and provide clear environmental sustainability and climate change benefits in accordance with certain prescribed eligibility criteria as described under the Green Bond Framework for Industrial and Commercial Bank of China (see “*Green Bond Framework*” below); or
- (c) if, in respect of any particular issue, there is a particular identified use of proceeds, for the purposes stated in the applicable Pricing Supplement.

According to the definition criteria set out by the ICMA Green Bond Principles, only Tranches of Notes exclusively financing or refinancing Eligible Green Assets (above mentioned at (b)) will be denominated “Green Bonds”.

Eligible Green Assets have been defined in accordance with the broad categorisation of eligibility for Green Projects set out by the ICMA Green Bond Principles.

“Eligible Green Assets” are those which comprise financing within the Eligible Green Asset Categories set out in the Green Bond Framework for Industrial and Commercial Bank of China. Such Eligible Green Asset Categories include those which relate to: renewable energy; low energy or emission transportation assets, systems, infrastructure, components and services; energy efficiency and development of products or technology that reduces energy consumption; and sustainable water and wastewater management. Financings within the fossil fuel related assets, large scale hydro power plants and/or nuclear and nuclear-related assets categories are specifically excluded from this definition.

Assets in all eligible categories shall reach the minimum threshold required by relevant official standards in relation to environmental impacts recognised in the relevant jurisdiction. Where no official standards are locally recognised, corresponding international standards shall apply.

## **GREEN BOND FRAMEWORK**

On 25 September 2017, the Bank published a green bond framework (the “Green Bond Framework”) in accordance with:

- (a) the ICMA Green Bond Principles;
- (b) the PBOC Green Bond Categories; and
- (c) the Guidelines for Establishing the Green Financial System.

The Green Bond Framework is publicly available on the global website of the Bank at: [www.icbc-ltd.com](http://www.icbc-ltd.com). Bonds issued under the Bank’s Green Bond Framework may be certified by Climate Bond Initiative (the “CBI”) against the climate bond standard published by the CBI (as amended from time to time) in relation to the certification process, pre-issuance requirements, post-issuance requirements and a suite of sector-specific eligibility and guidance documents (the “Climate Bond Standards”).

### **Allocation Reporting**

The Bank commits to publish an “Annual Green Bond Report”, which will provide information on amounts equal to the net proceeds of each green bond issued and provide:

- (i) the aggregate amount allocated to the various Eligible Green Assets Categories;
- (ii) the remaining balance of funds which have not yet been allocated; and
- (iii) examples of Eligible Green Assets (subject to confidentiality disclosures).

Furthermore, the Bank will confirm that the use of proceeds of the Green Bond issuance conforms to the Green Bond Framework.

### **Impact Reporting**

Where possible, the Bank will report on the environmental and social (where relevant) impacts resulting from Eligible Green Assets.

The Annual Green Bond Report will be publicly available through annual updates on the global website of the Bank at <http://www.icbc.com.cn/ICBC/en/default.htm>.

The Bank will also make disclosure through other channels where feasible, such as annual reports and corporate social responsibility reports, which will also be published on [www.icbc-ltd.com](http://www.icbc-ltd.com).

### **External Review**

ICBC has engaged CICERO to act as an external reviewer of the Green Bond Framework for alignment to the ICMA Green Bond Principles and Zhongcai Green Financing Consultants Ltd. to act as an external reviewer of the Green Bond Framework for Chinese domestic standards. The Second Party Opinions by CICERO and Zhongcai Green Financing Consultants Ltd. are publicly available on ICBC’s official global website [www.icbc-ltd.com](http://www.icbc-ltd.com).

ICBC will engage an independent third party to provide assurance on its Annual Green Bond Report which will provide information on allocation and impacts.

## NOTES BEING ISSUED AS GREEN BONDS

### Management Statement

The Bank's vision is to be a global leading bank with the best profitability, performance and prestige. The Bank has developed a long-term strategy to be a leading and top-rated green financial institution. The Bank strives to realise the integration of economic and social responsibilities, establishing the image of a large responsible bank in the aspects of supporting economic development, protecting environment and resources, and sponsoring public interest activities.

In accordance with green financing criteria, the Bank has been innovative in the green financial products market, has underwritten a number of green bonds, and has endeavoured to build an all-around green financial service system. By improving industrial credit policies, the Bank has promoted the development industries involved in energy saving, emission reduction and environmental protection.

### Green Credit, Financial Innovation and Operations

By the end of 2017, the Bank's balance of green credit extended to domestic green economic sectors such as ecological protection, clean energy, green transportation, industrial energy saving and environmental protection and resource recycling reached RMB1,099.2 billion. This represented an increase of RMB120.6 billion from the beginning of the year. This increase exceeded the growth of the corporate loan balance of the same period by 3.5 per cent.

The Bank is active in the green bond underwriting market. It underwrote China's first green finance bond for a commercial bank, the first renminbi green bond for New Development Bank and China's first green corporate bond for a motor company. In 2017, the Bank underwrote 11 green bonds and raised RMB64.3 billion, ranking first among Chinese banking institutions and recording an investment balance of RMB20.19 billion. It was also named "Excellent Underwriter of ChinaBond Green Bond Index Constituents 2017".

On 12 October 2017, the Bank issued the first Belt and Road green bonds via its Luxembourg Branch, consisting of three series of USD and EUR notes. Furthermore, in 2017, the Beijing Branch of the Bank acted as the lead underwriter of a RMB1 billion green bond financing instrument issuance by an energy conservation services company. The proceeds of the issuance were used to support a biomass power generation project, which was estimated to save 999,200 tonnes of standard coal and reduce carbon dioxide emissions by 2,456,900 tonnes each year. In June 2018, the Bank issued green bonds via its London Branch, consisting of two series of USD notes and one series of EUR notes. The issuance was the largest ever green bond listing on the London Stock Exchange's International Securities Market ("ISM") and the Bank was the first Chinese issuer on the ISM. Furthermore, on 25 April 2019, the Bank issued the first Green Belt and Road Inter-bank Regular Cooperation Bonds via its Singapore Branch, consisting of two series of USD notes, one series of EUR notes and one series of CNH notes. The proceeds of this issuance were applied towards the financing and/or refinancing of Eligible Green Assets along the "Belt and Road" countries and regions to facilitate the Belt and Road Inter-bank Regular Cooperation Mechanism established in May 2017, and the issuance aims to expand the role of financial services in the Belt and Road construction, promote the common prosperity of financial markets of the countries and regions along the "Belt and Road", and further the organic integration of the Belt and Road initiative with green development.

The Bank has continued to develop its long-term strategy to be a leading and top-rated green financial institution by promoting its e-banking system and adopting green internal policies. In 2017, the Bank's e-banking transaction value increased by 7.7 per cent. compared to the previous year. The number of e-banking transactions accounted for up to 94.86 per cent. of the Bank's total transactions, up by 2.86 per cent. as compared to the total during 2016. Mobile finance has continued to develop rapidly and the transaction value at "ICBC Mobile" and "Corporate Mobile Banking" increased by 85.7 per cent. and 186.2 per cent. on a yearly basis,

respectively. In 2017, the Bank's e-payment active users increased by 18.9 per cent. compared to the previous year.

The Bank's Head Office promoted energy efficiency by lowering its office power consumption from 19,867 MWh in 2016 to 19,408 MWh in 2017. It also reduced its fuel consumption from 86,512 litres in 2016 to 86,109 litres in 2017.

### **International Exchange and Cooperation**

The Bank has participated in and attended international platforms and meetings in the environment and sustainable development space. For example:

- In 2012, the Bank became the first Chinese commercial bank to join the United National Global Compact.
- In 2013, the Bank made a commitment to green financing on behalf of 29 banks in the National Green Credit Meeting organised by the China Banking Regulatory Commission.
- In January 2015, the Bank signed the Declaration on Environment and Sustainable Development and joined the United Nations Environment Programme Finance Initiative to become a member of the organisation.
- In 2016, the Bank signed the Statement by Financial Institution on Energy Efficiency at the invitation by the G20 Energy Efficiency Finance Task Group, becoming the first major commercial bank participant from China.
- At the 2016 international conference "Future of Green Finance" held in London, the Bank published the "Impact of Environmental Factors on Credit Risk of Commercial Banks – Research and application by ICBC based on stress test".
- The Bank was selected for several consecutive years as a composite share in the Hang Seng Corporate Sustainability Indexes.

### **Project Evaluation and Selection**

The Bank will follow the procedures below to evaluate and select potential financing of Eligible Green Assets:

#### ***1. Preliminary Screening***

Domestic and overseas branches of the Bank shall conduct a preliminary screening of potential financings in relation to Eligible Green Assets in accordance with the criteria and standards set out in the Bank's internal regulations and the Green Bond Framework, and form a list of nominated Eligible Green Assets which will be submitted to the Bank's Head Office for review.

#### ***2. Review and Approval***

A dedicated Green Bond working group (the "Green Bond Working Group") at the Bank's Head Office shall review each of the nominated Eligible Green Asset financings for approval. The approved projects will form an Eligible Green Assets list (the "Eligible Green Assets List").

In the Green Bond Working Group, representatives shall be nominated if they have environmental experience and knowledge. The experts with environmental experience and knowledge will have a veto power on the final decision regarding the selection of Eligible Green Assets. The assets vetoed by them shall be excluded from the Eligible Green Asset List.

#### ***3. Update and Maintenance***

The Green Bond Working Group shall review the Eligible Green Assets List on an annual basis and determine if any changes are necessary (for example, if a project has amortised, been prepaid, sold or otherwise become ineligible). The Green Bond Working Group will decide any necessary update of the Eligible Green Asset List (such as replacement, deletion, or addition of projects) to maintain the eligibility of the Use of Proceeds.

## **Management of Proceeds**

### ***1. Planning for Use of Proceeds***

Prior to the issuance of Green Bonds, the Bank shall evaluate the recent and pipeline capital spending and develop a preliminary Eligible Green Assets List in accordance with the procedures as described in the Project Evaluation and Selection in this section to ensure that the proceeds of the Green Bonds can be allocated to Eligible Green Assets in a timely manner.

### ***2. Management of Separate Allocation Register***

A “Green Bond Allocation Register” will be established to record the allocation of green bond proceeds. The proceeds of each Green Bond will be deposited in the general funding accounts and earmarked pending allocation.

The Green Bond Allocation Register will contain, for each Green Bond issued, information including:

- (i) Details of the Green Bond: ISIN, pricing date, maturity date, etc.
- (ii) Details of the Eligible Green Assets List including the following information:
  - Details of the Eligible Green Assets
  - A summary of the investment made in relation to a particular Green Bond
  - The amount of the investment
  - Any other necessary information to ensure that the aggregate of issuance proceeds allocated to the Eligible Green Assets is recorded at all times
  - The issuer’s estimate of the beneficial environmental impact of the Eligible Green Assets.

### ***3. Use of Unallocated Proceeds***

Any balance of issuance proceeds not allocated to Eligible Green Assets will be held in accordance with the Bank’s normal liquidity management policy. The unallocated proceeds could be temporarily used domestically and internationally in money market instruments or loans with good credit rating and market liquidity until they are allocated to Eligible Green Assets. The unallocated proceeds shall not be invested in highly polluting or energy intensive projects.

## **Eligible Green Assets**

Pursuant to the Green Bond Framework, the Bank selected the equivalent of USD9.41 billion of Eligible Green Assets for financing as of the end of 2018, with 72.57 per cent. in the low carbon transportation sector, 21.39 per cent. in wind power and 6.04 per cent. in solar power. Further Eligible Green Assets are expected to be selected by the Bank for financing in subsequent periods.

The table below sets out the breakdown of the Eligible Green Assets selected for financing as of the end of 2018, by country:

<b>Location</b>	<b>Proportion (%)</b>
<b>China</b>	93.88%



<b>Australia</b>	3.23%
<b>Morocco</b>	1.40%
<b>Pakistan</b>	0.80%
<b>UK</b>	0.57%
<b>Thailand</b>	0.12%
<b>Total</b>	<b>100.00%</b>

An example of an Eligible Green Asset in which the Bank is currently involved is a railway expansion project under the Chinese Mid-Long Term Railway Network Plan (2008 Edition). The project is to construct a railway for passenger and freight transport in Southwestern China to increase transportation capacity in the region. The project is expected to promote local economic development and strengthen links between Yunnan, Guangxi and the Pearl River Delta. The entire infrastructure length of the railway is 434km. Once completed, the project is expected to increase the capacity to 1.4 million passengers per annum in addition to 60 million tons of cargo capacity and is expected to lead to a reduction of approximately 2.6 million tons of CO<sub>2</sub> per year.

#### **CBI Certification Disclaimer**

The certification of the Green Bonds as Climate Bonds by the CBI is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Green Bonds or any Eligible Green Assets, including but not limited to the Offering Circular, the transaction documents, the Bank or the management of the Bank.

The certification of the Green Bonds as Climate Bonds by the CBI was addressed solely to the board of directors of the Bank and is not a recommendation to any person to purchase, hold or sell the Green Bonds and such certification does not address the market price or suitability of the Green Bonds for a particular investor. The certification also does not address the merits of the decision by the Bank or any third party to participate in any Eligible Green Assets and does not express and should not be deemed to be an expression of an opinion as to the Bank or any aspect of any Eligible Green Assets (including but not limited to the financial viability of any Eligible Green Assets) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Eligible Green Assets or the Bank. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Eligible Green Assets. The certification may only be used with the Green Bonds and may not be used for any other purpose without the CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Green Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in CBI's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

## FORM OF THE NOTES

### **Bearer Notes**

Each Tranche of Notes 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”), 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 (each a “Global Note”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”) and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “TEFRA C Rules”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “TEFRA 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 TEFRA C Rules nor the TEFRA 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 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 Tranche 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 Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note 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 Issuing and Paying Agent; and
- (ii) receipt by the Issuing and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5:00 p.m. (Luxembourg time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5:00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5:00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form (“Definitive Notes”):

- (a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or
- (b) at any time, if so specified in the Pricing Supplement; or
- (c) if the Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or 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
  - (ii) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the 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 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 Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5:00 p.m. (Luxembourg time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Luxembourg time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5:00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note

will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

### **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 TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA 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 Tranche 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 TEFRA D Rules are applicable, then the Notes will initially be 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 Tranche 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 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 Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5:00 p.m. (Luxembourg time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

### **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 in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (b) at any time, if so specified in the relevant Pricing Supplement; or
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:

- (i) Euroclear or Clearstream, Luxembourg 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
- (ii) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the 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 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 Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5:00 p.m. (Luxembourg time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

### **Rights under Deed of Covenant**

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and/or any other relevant clearing system.

### **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 Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the 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 Internal Revenue Code.”

**Registered Notes**

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (“Individual Note Certificates”) or a global Note in registered form (a “Global Note Certificate”), in each case as specified in the relevant Pricing Supplement.

Each Global Note Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and held by such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

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

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 in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (b) at any time, if so specified in the relevant Pricing Supplement; or
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Note Certificate”, then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or 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
  - (ii) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, the 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 (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) 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 Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto 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.

If:

- (a) Individual Note Certificates have not been delivered by 5:00 p.m. (Luxembourg time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or
- (b) any of the Notes represented by a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5:00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **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.

### **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 Euroclear and Clearstream, Luxembourg), 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.



## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented, amended and/or replaced 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 “Summary of Provisions Relating to the Notes while in Global Form” below.*

### 1 INTRODUCTION

#### (a) Programme

Industrial and Commercial Bank of China Ltd., Luxembourg Branch (the “Issuer”) has established a Medium Term Note Programme (the “Programme”) for the issuance of EUR8,000,000,000 in aggregate principal amount of notes (the “Notes”).

#### (b) Pricing Supplement

Notes issued under the Programme are issued in series (each a “Series”) and each Series may comprise one or more tranches (each a “Tranche”) of Notes. Each Tranche is the subject of a pricing supplement (the “Pricing Supplement”) which supplements these terms and conditions (the “Conditions”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

#### (c) Agency Agreement

The Notes are the subject of a fiscal, issuing and paying agency agreement dated 8 January 2015, as amended and/or supplemented from time to time (the “Agency Agreement”) between the Issuer and BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), as registrar (the “Registrar”, which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent and, where applicable, 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) and 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). With respect to a Series of Notes to be held in the CMU Service, a 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) shall be appointed. 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. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such reference shall be construed accordingly.

#### (d) Deed of Covenant

The Notes may be issued in bearer form (“Bearer Notes”), or in registered form (“Registered Notes”). Registered Notes are constituted by a deed of covenant dated 8 January 2015 (the “Deed of Covenant”) entered into by the Issuer.

**(e) The 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 Agency Agreement and the Deed of Covenant 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 Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

## **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;

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

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (c) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate;

“Alternative Reference Rate” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt

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

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

- (a) such Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist;
- (b) a public statement by the administrator of such Reference Rate that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);
- (c) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;
- (d) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (e) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate;

“Business Day” means:

- (a) 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;
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in Luxembourg, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (c) 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:

- (a) “Following Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “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;

- (c) “Preceding Business Day Convention” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “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:
  - (i) 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;
  - (ii) 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
  - (iii) 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
- (e) “No Adjustment” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person 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;

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

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

“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:

- (a) if “Actual/Actual (ICMA)” “is so specified, means:
  - (i) ‘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
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:

- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins 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) 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 (2) the number of Regular Periods in any year;
- (b) if “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);
- (c) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “30/360” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

“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 given in the Agency Agreement;

“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;

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalac, S.A. and Hearst Corporation, and its successors;

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

“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 PRC;

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

“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:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) 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;

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

“Material Subsidiary” means a Subsidiary whose total assets or total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) 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 these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Issuer as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the Issuer, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

“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;

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates and successors;

“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;

“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:

- (a) if the currency of payment is euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, 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
- (b) if the currency of payment is not euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) 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” includes any individual, company, state owned enterprise, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state or other entity (in each case whether or not being a separate legal entity);

“PRC” means the People’s Republic of China, which for the purposes of these Conditions shall not include Hong Kong, the Macau Special Administration Region or Taiwan);

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



- (a) 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; and
- (b) 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 the Issuer (or, for the purposes of Condition 13(c) (Cross-default), any of its respective Subsidiaries), or any guarantee or indemnity by the Issuer 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 issued outside the PRC and 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;

“Rating Agencies” means (a) S&P, (b) Moody’s or (c) Fitch, provided that if S&P, Moody’s or Fitch shall not make a rating of the Notes publicly available, a nationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), 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;

“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:

- (a) 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;
- (b) 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

- (c) 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 Fiscal Agent 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 Nominating Body” means, in respect of a reference rate:

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

“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:

- (a) 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 or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or
- (e) to amend this definition;

“S&P” means Standard & Poor’s Ratings Services and its affiliates and successors;

“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;

“Subsidiary” means, in relation to any Person (the “first Person”) at any particular time, any other Person (the “second Person” whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

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

“Talon” means a talon for further Coupons;

“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;

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

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

“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 12 (Taxation), 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 12 (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 Agency Agreement;
- (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 the Agency Agreement shall be construed as a reference to the Agency Agreement 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 the register 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. 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.

#### **(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 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 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 during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

**(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**

The Notes constitute senior, direct, general, unsubordinated, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## **5 FIXED RATE NOTE PROVISIONS**

**(a) Application**

This Condition 5 (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 Condition 10 (Payments — Bearer Notes) and Condition 11 (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 5 (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 Fiscal 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) 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.

## **6 FLOATING RATE NOTE AND INDEX-LINKED INTEREST NOTE PROVISIONS**

**(a) Application**

This Condition 6 (Floating Rate Note and Index-Linked Interest Note Provisions) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest 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 Condition 10 (Payments — Bearer Notes) and Condition 11 (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 Fiscal 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:
  - (A) the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide to the Calculation Agent 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) the Calculation Agent will 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 to major banks in the Principal Financial Centre of 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.

**(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) Benchmark Replacement**

In addition, notwithstanding the provisions above in Condition 6 (Floating Rate Notes and Index-Linked Interest Note Provisions), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “IA Determination Cut-off Date”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(e) (Benchmark Replacement)); provided, however, that if sub-paragraph (ii) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(e) (Benchmark Replacement));
- (iv) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the



Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6(e) (Benchmark Replacement). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

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

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

**(f) Index-Linked Interest**

If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

**(g) 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.

**(h) 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.

**(i) 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.

**(j) 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 in accordance with Condition 19. 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.

**(k) 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 the Issuer, 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.

## **7 ZERO COUPON NOTE PROVISIONS**

**(a) Application**

This Condition 7 (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 (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 Fiscal 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).

## **8 DUAL CURRENCY NOTE PROVISIONS**

**(a) Application**

This Condition 8 (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.

## **9 REDEMPTION AND PURCHASE**

### **(a) Scheduled redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (Payments — Bearer Notes) and Condition 11 (Payments — Registered Notes).

### **(b) Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 32 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 (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Grand Duchy of Luxembourg or the PRC 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 and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) 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 Issuer 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 deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by any director 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 (2) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

### **(c) Redemption at the option of the Issuer**

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 Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in

such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

**(d) Partial redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 9(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 Fiscal Agent approves and in such manner as the Fiscal 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 9(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 at the option of Noteholders**

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 Note redeem such 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 9(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such 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 Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such 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 Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

**(f) No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (Scheduled Redemption) to (e) (Redemption at the option of Noteholders) above.

**(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 9(g) or, if none is so specified, a Day Count Fraction of 30E/360.

**(h) Purchase**

The Issuer 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 the Issuer 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 17 (Meetings of Noteholders; Modification and Waiver).

**(i) Cancellation**

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them may be reissued, resold or surrendered to the Fiscal Agent for cancellation.

## **10 PAYMENTS — BEARER NOTES**

This Condition 10 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 relevant Principal Financial Centre.

**(b) Interest**

Payments of interest shall, subject to paragraph (h) (Payments other than in respect of matured Coupons) 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) (Principal) 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 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 12 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. 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 12 (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) (Principal) 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 10(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest 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 9(b) (Redemption for tax reasons), Condition 9(c) (Redemption at the option of the Issuer), Condition 9(e) (Redemption at the option of Noteholders) or Condition 13 (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) (Payments in New York City) 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 Fiscal 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 14 (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.

## **11 PAYMENTS — REGISTERED NOTES**

This Condition 11 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 Fiscal 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 (i) in the case of a currency other than Renminbi, be made 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 Fiscal 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 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 12 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. 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 12 (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 11 (Payments — Registered Notes) 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 opening of business in the place of the Registrar's Specified Office on the fifteenth 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 opening of business on the relevant Record Date.

## **12 TAXATION**

**(a) Gross up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer 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 the Grand Duchy of Luxembourg, the PRC 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, the Issuer 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; or
- (iii) held by a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

**(b) Taxing jurisdiction**

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Grand Duchy of Luxembourg or the PRC, respectively, references in these Conditions to the Grand Duchy of Luxembourg or the PRC shall be construed as references to the Grand Duchy of Luxembourg or the PRC (as the case may be) and/or such other jurisdiction.

### 13 EVENTS OF DEFAULT

If any of the following events (each an “Event of Default”) occurs and is continuing:

**(a) Non-payment**

Default is made in the payment on the due date of principal of or any interest on any of the Notes and such failure continues for a period of 30 days; or

**(b) Breach of other obligations**

The Issuer does not perform or comply with any one or more of its other obligations under or in respect of the Notes or the Fiscal Agency Agreement which default remains unremedied for a period of 45 days after written notice of such default shall have been delivered to the Issuer (with a copy to the Fiscal Agent) by holders of an aggregate principal amount of not less than 10 per cent. of the outstanding Notes; or

**(c) Cross-default**

- (i) any other present or future Public External Indebtedness of the Issuer 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
- (ii) 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 13(c) have occurred equals or exceeds U.S.\$30,000,000 or its equivalent; or

**(d) Insolvency**

The Issuer 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 the Issuer or any of the Material Subsidiaries; or

**(e) Winding-up**

An order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of the Material Subsidiaries, or the Issuer or any of the Material Subsidiaries, 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 (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of the Material Subsidiaries; or

**(f) Illegality**

It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement and the Issuer fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the Issuer may lawfully perform such obligations; or

**(g) Analogous events**

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 13(d) (Insolvency) to 13(f) (Illegality) (both inclusive),

then any Noteholder may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the 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. Notice of any such declaration shall promptly be given to the Noteholders.

**14 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.

**15 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 Fiscal 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 Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

**16 AGENTS**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer 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 Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; provided, however, that:

- (a) the Issuer shall at all times maintain a fiscal agent and a registrar; and
- (b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (c) 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 Issuer 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.

## **17 MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER**

### **(a) Meetings of Noteholders**

The Agency Agreement 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 the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than 10 per cent. 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 a clear majority 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 67 per cent. or, at any adjourned meeting, not less than 25 per cent. 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 not less than 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders 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**

Notwithstanding Condition 17(a) (Meetings of Noteholders) above, the Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

## **18 FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. However, such further securities may only be issued if (i) the Rating Agency which has provided credit ratings in respect of the Notes has been informed of such issue and (ii) such issue will not result in any adverse change in the then credit rating of the Notes.

## 19 NOTICES

### (a) Bearer Notes

Notices required pursuant to these Conditions to be given to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. 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. In respect of Bearer Notes admitted to trading on a market operated by the Luxembourg Stock Exchange and listed in the Official List of the Luxembourg Stock Exchange and as long as the rules of such exchange so require, all notices regarding the Bearer Notes will be published in a Luxembourg daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)).

### (b) Registered Notes

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

*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 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, 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.*

## 20 CURRENCY INDEMNITY

If any sum due from the Issuer 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 the Issuer, (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, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal 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 the Issuer and shall give rise to a separate and independent cause of action.

## **21 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.

## **22 GOVERNING LAW AND ARBITRATION**

### **(a) Governing law**

The Notes and all non-contractual obligations arising out of or in connection with the Notes, and the agreement to arbitrate contained in Condition 22(b) (Arbitration) are governed by English law.

### **(b) Arbitration**

Any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (and the Conditions) (including a dispute or difference as to their breach, existence or validity) (“Dispute”) shall be finally settled by arbitration in accordance with the London Court of International Arbitration Rules (the “Rules”) as at present in force, which Rules are deemed to be incorporated by reference into this Condition 22(b) (Arbitration) and as may be amended by the rest of this Condition 22(b) (Arbitration) and as may be amended by the rest of this Condition 22 (Governing Law and Arbitration). The tribunal shall consist of three arbitrators to be appointed in accordance with the Rules. The claimant parties shall together nominate one arbitrator, the respondent parties shall together nominate one arbitrator and the third arbitrator, who shall be the chairman of the tribunal, shall be appointed by the London Court of International Arbitration. The seat of the arbitration shall be London, England. The language of the arbitral proceedings shall be English.

If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration under the Notes (and these Conditions), including Disputes arising out of Notes held by different Noteholders (an “Existing Dispute”), or arises out of substantially the same facts as are the subject of an Existing Dispute (a “Related Dispute”), the tribunal appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the tribunal in respect of any Related Dispute. Where, pursuant to the above provisions, the same tribunal has been appointed in relation to two or more Disputes, the tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the Disputes, order that the whole or part of the matters in issue shall be heard together upon such terms or conditions as the tribunal thinks fit. The tribunal shall have power to make such directions and any interim or partial award as it considers just and desirable. The parties waive any objections they may have as to the validity and/or enforcement of any arbitral awards made by the tribunal following the consolidation of Disputes or arbitral proceedings in accordance with this Condition 22(b) (Arbitration) to the extent that such objections are based on the fact that consolidation of the same has occurred.

**(c) Waiver of immunity**

To the extent that the Issuer 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), the service of process (if any), the obtaining of judgment, the supervisory jurisdiction of the court of the seat of arbitration over the tribunal, the enforcement of any judgment, order or award, or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche 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.*

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

**[MiFID II product governance/target market:** *[appropriate target market legend to be included]*]

**[Singapore CMP Regulations classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>5</sup>

Pricing Supplement dated [●]

**Industrial and Commercial Bank of China Ltd.,  
Luxembourg Branch**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the EUR8,000,000,000 Medium Term Note Programme  
Legal entity identifier (LEI): 5493002ERZU2K9PZDL40**

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 31 May 2019. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated 31 May 2019 [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 pricing supplement

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<sup>5</sup> For any Notes to be offered to Singapore investors, need to re-classify Notes pursuant to Section 309B of the SFA prior to the launch of the offer to be considered.



of the Notes and must be read in conjunction with the Offering Circular dated [current date], 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 sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]*

1	(i)	Issuer:	Industrial and Commercial Bank of China Ltd., Luxembourg Branch
2	[(i)	Series Number:]	[●]
	[(ii)	Tranche Number: <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]</i>	[●]
3		Specified Currency or Currencies:	[●]
4		Aggregate Nominal Amount:	[●]
	(i)	[Series]:	[●]
	(ii)	Tranche:	[●]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> ( <i>in the case of fungible issues only, if applicable</i> )]
	(ii)	Net Proceeds	[●] [(Required only for listed issues)]
6	(i)	Specified Denominations <sup>6 7 8</sup> :	[●]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	<i>[Specify/Issue Date/Not Applicable]</i>
8		Maturity Date:	<i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>9</sup></i>  <i>[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds</i>

<sup>6</sup> Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

<sup>7</sup> If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000. In relation to any issue of Notes which are a “Global Note exchangeable for Definitive Notes” in circumstances other than “in the limited circumstances specified in the Global Notes”, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

<sup>8</sup> Issuing Notes with a denomination per unit below €100,000 (or its equivalent in another currency) will trigger the obligation to annually file with the LuxSE and publish the annual financial statements in compliance with the Rules & Regulations of the LuxSE (for information, on the LuxSE website [www.bourse.lu](http://www.bourse.lu)).

<sup>9</sup> Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

*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.]*

- |    |   |  |
|----|---|--|
| 9  | Interest Basis:                                 | <p>[[●] per cent. Fixed Rate]</p> <p>[[Specify reference rate] +/- [●] per cent. Floating Rate]</p> <p>[Zero Coupon]</p> <p>[Index Linked Interest]</p> <p>[Other (Specify)]</p> <p>(further particulars specified below)</p>  |
| 10 | Redemption/Payment Basis:                       | <p>[Redemption at par]</p> <p>[Index Linked Redemption]</p> <p>[Dual Currency]</p> <p>[Partly Paid]</p> <p>[Instalment]</p>  |
| 11 | Change of Interest or Redemption/Payment Basis: | <i>[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]</i>  |
| 12 | Put/Call Options:                               | <p>[Investor Put]</p> <p>[Issuer Call]</p> <p>[(further particulars specified below)]</p>  |
| 13 | Listing and trading:                            | <p>[Application has been made to Luxembourg Stock Exchange (<i>Société de la Bourse de Luxembourg S.A.</i>) (“LuxSE”) for the Notes to be (i) admitted to trading on the Euro MTF market, which is a market operated by the LuxSE and (ii) listed on the Official List of the LuxSE (the “Official List”).] [For green bond issuances: The Issuer has also applied for the Notes be displayed on the Luxembourg Green Exchange (“LGX”).] [Other (specify)/None].</p> |
| 14 | Method of distribution:                         | [Syndicated/Non-syndicated]  |

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	<b>Fixed Rate Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/monthly/other ( <i>specify</i> )] in arrear] <sup>10</sup>
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with <i>[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]</i> /not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount <sup>11</sup>
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/365 (Fixed)] <sup>12</sup> / <i>specific other</i> ]
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i> ]
16	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Interest Period(s):	[●]
	(ii) Specified Period:	[●] <i>(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")</i>
	(iii) Specified Interest Payment Dates:	[●] <i>(Specified Period and Specified Interest</i>

<sup>10</sup> Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day, other than a Saturday or a Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●]."

<sup>11</sup> For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

<sup>12</sup> Applicable to Renminbi and Hong Kong dollar denominated Fixed Rate Notes.

*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*)]
- (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 Fiscal Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal 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 comprising the countries whose lawful currency is the euro)]*
- (x) ISDA Determination:
  - Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) Margin(s): [●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. 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:

- |    |   |  |
|----|---|--|
| 17 | <b>Zero Coupon Note Provisions</b>  | <p>[Applicable/Not Applicable]<br/> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p>  |
|    | (i) Accrual Yield:  | [●] per cent. per annum  |
|    | (ii) Reference Price:   | [●]  |
|    | (iii) Any other formula/basis of determining amount payable:  | <i>[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [9(g)]]</i>   |
| 18 | <b>Index-Linked Interest Note/other variable-linked interest Note Provisions</b>  | <p>[Applicable/Not Applicable]<br/> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p>  |
|    | (i) Index/Formula/other variable:   | [give or annex details]  |
|    | (ii) Calculation Agent responsible for calculating the interest due:  | [●]  |
|    | (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:  | [●]  |
|    | (iv) Interest Determination Date(s):  | [●]  |
|    | (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [●]  |
|    | (vi) Interest or calculation period(s):   | [●]  |
|    | (vii) Specified Period:   | <p>[●]<br/> <i>(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")</i></p> |
|    | (viii) Specified Interest Payment Dates:  | <p>[●]<br/> <i>(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")</i></p>  |

	(ix) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )]
	(x) Additional Business Centre(s):	[●]
	(xi) Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xii) Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction:	[●]
19	<b>Dual Currency Note Provisions</b>	[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

20	<b>Call Option</b>	[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:	[●]
21	<b>Put Option</b>	[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)	Notice period:	[●]
22		<b>Final Redemption Amount of each Note</b>	[●] per Calculation Amount
		In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i)	Index/Formula/variable:	[give or annex details]
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	[Payment Date]:	[●]
	(vii)	Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii)	Maximum Final Redemption Amount:	[●] per Calculation Amount
23		<b>Early Redemption Amount</b>	[Not Applicable
		Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons 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):	<i>(If each of the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]</i>

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	<b>Form of Notes:</b>	<b>Bearer Notes:</b>
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[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]<sup>8</sup>

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]<sup>13</sup>

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]<sup>8</sup>

**Registered Notes:**

[Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Note Certificate]

- |    |   |  |
|----|---|--|
| 25 | Additional Financial Centre(s) or other special provisions relating to payment dates:   | [Not Applicable/give details.<br><i>Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(vi) and 18(x) relate]</i> |
| 26 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):   | [Yes/No. <i>If yes, give details</i> ]   |
| 27 | 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]  |
| 28 | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:  | [Not Applicable/give details]  |
| 29 | Redenomination, renominatisation and reconventioning provisions:  | [Not Applicable/The provisions annexed to this Pricing Supplement apply]   |
| 30 | Any applicable currency disruption/fallback provisions:   | [Not Applicable/give details]  |
| 31 | Other terms or special conditions:  | [Not Applicable/give details]  |

<sup>13</sup> The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denominations of the Notes in paragraph 6 includes language that reflects circumstances referred to note 2 above (for example "€100,000 and multiples of [€1,000]").



## DISTRIBUTION

- |    |  |   |
|----|--|---|
| 32 | (i) If syndicated, names of Managers:          | [Not Applicable/ <i>give details</i> ]  |
|    | (ii) Stabilising Manager(s) (if any):          | [Not Applicable/ <i>give details</i> ]  |
| 33 | If non-syndicated, name and address of Dealer: | [Not Applicable/ <i>give name and address</i> ]   |
| 34 | Private banking rebate/commission:             | [Applicable/Not Applicable]   |
| 35 | U.S. Selling Restrictions:                     | Reg. S Category [1/2];<br><i>(In the case of Bearer Notes)</i> — [TEFRA C/<br>TEFRA D/TEFRA not applicable]<br><i>(In the case of Registered Notes)</i> — TEFRA<br>not applicable |
| 36 | Additional selling restrictions:               | [Not Applicable/ <i>give details</i> ]  |

## OPERATIONAL INFORMATION

- |    |  |   |
|----|--|---|
| 37 | ISIN Code:   | [●]   |
| 38 | Common Code:   | [●]   |
| 39 | CFI:   | [[●]/as updated as set out on the website of the<br>Association of National Numbering Agencies<br>(ANNA)/Not Applicable]  |
| 40 | FISN:  | [[●]/as updated as set out on the website of the<br>Association of National Numbering Agencies<br>(ANNA)/Not Applicable]<br><br><i>(If the CFI and/or FISN is not required,<br/>requested or available, it/they should be<br/>specified to be “Not Applicable”)</i> |
| 41 | [CMU Instrument Number:  | [●]]  |
| 42 | Any clearing system(s) other than Euroclear/<br>Clearstream, Luxembourg [and the CMU<br>Service] and the relevant identification<br>number(s): | [Not Applicable/ <i>give name(s) and number(s)</i> ]  |
| 43 | Delivery:  | Delivery [against/free of] payment  |
| 44 | Additional Paying Agent(s) (if any):   | [●]   |

## PROVISIONS RELATING TO GREEN BONDS

- |    |              |          |
|----|--------------|----------|
| 45 | Green Bonds: | [Yes/No] |
|----|--------------|----------|

46	[Reviewer(s):]	[Name of sustainability rating agency(ies)[ and name of third party assurance agent] and [give details of compliance opinion(s) and availability]]
	[Date of Second Party Opinion(s):]	[Not Applicable/give details]

## GENERAL

47	The aggregate principal amount of Notes issued has been translated into euros at the rate of [●], producing a sum of (for Notes not denominated in euros):	[Not Applicable/EUR [●]]
48	[Ratings:	<p>The Notes to be issued have been rated:</p> <p>[S&amp;P: [●]]; [and]</p> <p>[Moody's: [●]]; [and]</p> <p>[Fitch: [●]]</p> <p>(each a "Rating Agency").</p> <p>If any Rating Agency shall not make a rating of the Notes publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]</p>

### [Use of Proceeds

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

*[For green bond issuances: [The Issuer will allocate the net proceeds towards the financing and/or refinancing of Eligible Green Assets (see "Use of Proceeds" section in the Offering Circular)/[To specify other uses for the green bond proceeds]]*

### [Regulatory Approvals]<sup>14</sup>

#### [Stabilising

In connection with this issue, [insert name of Stabilising Manager] (the "Stabilising Manager") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

<sup>14</sup> To consider any additional disclosure required concerning any specific authorisations, consents or approvals by, or registrations or filings with the PRC government authorities, in particular, relating to NDRC approvals/quotas for the issuance.

**Purpose of the Pricing Supplement**

The Pricing Supplement comprises the final terms required for the application to the Luxembourg Stock Exchange for the listing of the EUR8,000,000,000 Medium Term Note Programme and for listing the Notes issued under the Medium Term Note Programme during the 12 month period from the date of the Offering Circular on the Official List of the Luxembourg Stock Exchange and for the admission of the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange[,]/[.] [*For green bond issuances:* and for displaying the Notes on the LGX.]

**Responsibility**

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

Signed on behalf of Industrial and Commercial Bank of China Ltd., Luxembourg Branch:

By: \_\_\_\_\_  
*Duly authorised*

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

### **CLEARING SYSTEM ACCOUNTHOLDERS**

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

In relation to any Tranche of Notes represented by a Global Certificate, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name such Global Certificate is for the time being registered in the Register which, for so long as the Global Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service, will be such depositary or common depositary, or a nominee for such depositary or common depositary, or such sub-custodian, as the case may be.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “Accountholder”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Certificate will be determined by the respective rules and procedures of 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 Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

If a Global Note or a Global Certificate 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 Certificate 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 Certificate and the Issuer 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 Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

### **CONDITIONS APPLICABLE TO GLOBAL NOTES**

Each Global Note and Global Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Certificate. The following is an overview of certain of those provisions:

## **Payments**

All payments in respect of the Global Note or Global Certificate which, according to the Terms and Conditions of the Notes, 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 Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer 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 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 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 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” means a day on which each clearing system for which the Global Certificate is being held is open for business.

## **Exercise of put option**

In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global 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 Fiscal 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 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes where such Notes are held with Euroclear and/or Clearstream, Luxembourg, the Temporary Global Note or Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

## **Notices**

Notwithstanding Condition 19 (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 Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Certificate is, (i) deposited with a depositary or a common depositary 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 required pursuant to the Conditions to be given to Noteholders may be given by delivery of the relevant notice to 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 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or (ii) deposited with the CMU Service, notices required pursuant to the Conditions to be given 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 dispatch of such notice as holding interests in the relevant Global Note or Global Certificate.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's audited capitalisation as at 31 December 2018. Please read this table in conjunction with the Group's consolidated financial statements and the accompanying notes thereto, each of which is incorporated by reference in this Offering Circular as described under "*Documents Incorporated by Reference*".

	<b>As at 31 December 2018</b>
	<i>(RMB millions)</i>
<b>Debt<sup>(1)</sup></b>	
Debt securities issued <sup>(2)</sup> .....	617,842
<b>Total debt securities issued</b> .....	<b>617,842</b>
<b>Equity</b>	
Share capital .....	356,407
Other equity instruments .....	86,051
Reserves .....	680,877
Retained profits .....	1,206,666
Non-controlling interest .....	14,882
<b>Total equity</b> .....	<b>2,344,883</b>
<b>Total capitalisation<sup>(3)</sup></b> .....	<b>2,962,725</b>

### Notes:

- (1) As at 31 December 2018, we had deposits from customers, amounts due to banks and other financial institutions, certificates of deposits issued, balances under repurchase agreements, credit commitments (such as approved loans, undrawn credit card limits, letters of credit, financial guarantees and bank acceptances) and other commitments and contingencies, including outstanding litigation, that arise from its ordinary course of business.
- (2) Since 31 December 2018, we have issued additional debt securities (including Tier 2 Capital bonds) in the ordinary course of business. See "*Recent Developments – Other Recent Developments – Recent Issuances*".
- (3) Total capitalisation equals the sum of total debt securities issued and total equity.

## DESCRIPTION OF THE ISSUER

The Bank operates principally in Mainland China, and has an overseas network covering 47 countries and regions with 426 institutions as of 31 December 2018 (including Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague, Zurich, Manila and Vienna). The Issuer is the Luxembourg branch of the Bank. For further details on the principal subsidiaries of the Bank, please refer to the section “*Description of the Bank — Controlled Subsidiaries and Major Equity Participating Company*”.

Industrial and Commercial Bank of China Ltd., Luxembourg Branch (the “Luxembourg Branch”) was registered with the Trade and Companies Register in Luxembourg on 30 November 1999. The address of the Luxembourg Branch is at 32 Boulevard Royal L-2449 Luxembourg, the Grand Duchy of Luxembourg.

The Luxembourg Branch is authorised and regulated by the China Banking Regulatory Commission and is authorised in Luxembourg in accordance with article 32 of the law of 5 April 1993 on the financial sector, as amended (the “Luxembourg Financial Sector Law”) and is under the supervision of the Commission de Surveillance du Secteur Financier (the “CSSF”). The Luxembourg Branch appears on the list of the entities authorised and supervised by the CSSF which is available on the CSSF’s website: [www.cssf.lu](http://www.cssf.lu). The Luxembourg Branch has the license to perform in Luxembourg all operations a credit institution is authorised to perform pursuant to article 32 of the Luxembourg Financial Sector Law.

The Luxembourg Branch uses the Group’s advantages and regional resources to provide comprehensive financial services for Chinese companies in Europe while attracting target customers on the local market.

The Luxembourg Branch provides a variety of services, including (i) providing cash management solutions to the clients, to strengthen their account management, payment management and liquidity management; (ii) acceptance of deposits and other repayable funds; (iii) payment services; (iv) giving guarantees; (v) trading for own account or for account of customers in money-market instruments (cheques, bills, certificates of deposit, etc.), foreign exchange, financial futures and options, exchange and interest-rate instruments, transferable securities; (vi) lending; (vii) participation in securities issues and the provision of services related to such issues; (viii) granting credits or loans to investors to allow investors to carry out transactions in one or more financial instruments, where the firm granting the credit or loan is involved in the transactions; (ix) advising entities on capital structure; (x) advising and providing services relating to mergers and the purchase of entities; (xi) foreign exchange services where these are connected to the provision of investment services; and (xii) services related to underwriting.

In addition, the Luxembourg Branch has authorisations to conduct a wider range of banking activities in accordance with the terms of its licence. However, these activities are currently not conducted.

## COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER<sup>15</sup>

The CSSF is the supervisory authority of the Luxembourg financial sector. Its duties and its field of competence are provided for in the organic Law of 23 December 1998. The CSSF cooperates with the Banque Centrale du Luxembourg, the European supervisory authorities and the other supervisory authorities and resolution authorities at the European and international level.

The CSSF is responsible for the prudential supervision of credit institutions, professionals of the financial sector (investment firms, specialised PFS, support PFS), management companies, alternative investment fund

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<sup>15</sup> Information on the CSSF has been extracted from the website of the CSSF ([www.cssf.lu](http://www.cssf.lu)).



managers, undertakings for collective investment, pension funds (SEPCAV and ASSEP), SICARs, authorised securitisation undertakings, fiduciary-representatives having dealings with a securitisation undertaking, regulated markets and their operators, multilateral trading facilities, payment institutions and electronic money institutions. It also supervises the securities markets, including their operators and ensures compliance by the supervised professionals with the laws protecting financial consumers.

In pursuing its objectives, the CSSF seeks to apply an approach in line with the international standards, in accordance with the principle of proportionality. The CSSF's prudential supervision and supervision of the markets aim at the following:

- ensuring the safety and soundness of the financial sector, solely in the public interest;
- ensuring that the authorised entities and the issuers are complying with the regulations applicable to them, including those aiming to ensure the protection of the financial consumers;
- preventing the use of the financial sector for the purposes of money laundering or terrorist financing;
- ensuring an independent, forward-looking and risk-based supervision; and
- promoting transparency, simplicity and fairness on the markets of financial products and services.

#### **APPOINTMENT AS RENMINBI (RMB) CLEARING BANK**

On September 16, 2014, the Luxembourg Branch was designated by the People's Bank of China as the sole Renminbi (RMB) clearing bank to provide RMB account and clearing services in the Grand Duchy of Luxembourg. Under this arrangement, the banks participating in the RMB account and clearing services (the "Participating Banks") will be able to access the payment systems and financial markets in China through the Luxembourg Branch to conduct RMB payments and financial market transactions. The Luxembourg Branch will also be able to provide RMB liquidity support to the Participating Banks.

## DESCRIPTION OF THE BANK

### OVERVIEW

We rank first in the PRC banking industry in terms of each of total assets, market share of loans and market share of deposits. In 2018, we ranked first in terms of Tier 1 capital among the “Top 1000 World Banks” by *The Banker*, ranked first place among the “Global 2000” by *Forbes*, ranked by Euromoney as “Best Bank in China”, ranked first place in the sub-list of commercial banks in terms of operating income of the “Global 500” by *Fortune* for the sixth year in a row and ranked first place among the “Top 500 Banking Brands” by *Brand Finance* for the third consecutive year.

Established on 1 January 1984, we were restructured to become a joint-stock limited company on 28 October 2005. On 27 October 2006, we were successfully listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange.

We have developed into the largest listed bank in the world, possessing a wide customer base, a diversified business structure, strong innovation capabilities and market competitiveness. We have established presence in six continents, with a global network covering 47 countries and regions as of 31 December 2018. In addition, through our equity participation in Standard Bank Group Limited, we indirectly cover 20 countries in Africa. We provide comprehensive financial products and services to approximately 7.03 million corporate customers and 607 million personal customers via our distribution channels consisting of 16,820 institutions, including 16,394 domestic institutions and 426 overseas institutions and 1,502 overseas correspondent banks in 145 countries as of 31 December 2018, as well as through our E-banking network comprising a range of Internet and telephone banking services and self service banking centres, forming a diversified and internationalised operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in the commercial banking sector. As one of the leading commercial banks in terms of global presence and asset size, we implemented the “Belt and Road Initiative”. We have carried out a number of projects and maintained 131 institutions in 21 countries and regions along the “Belt and Road” as of 31 December 2018.

We provide customers with a wide range of financial products and services and have formed a cross-market, internationalised and integrated business model with a focus on commercial banking. We have maintained a leading position among PRC commercial banks in most of our core and emerging businesses.

We believe that “Industrial and Commercial Bank of China” is one of the most recognised financial service brand names in the PRC with significant international influence. We have won numerous awards over the years, including, among others:

- the first place among the “Global 2000” and 26<sup>th</sup> place among the “Global 500” in 2018 by *Forbes*;
- the first place among the “Top 1000 World Banks” in 2018 by *The Banker*;
- “Best Corporate Bank in China” in 2018 by *Global Finance*;
- “Best Green Commercial Bank in China”, “Regional Bank of the Year for BRI (Central and Eastern Europe & Central and West Asia)”, “Regional Bank of the Year for BRI (South East Asia)”, “Best Bank for Infrastructure/Project Finance in the Region (Middle East and Africa)”, “Best Transaction Bank for Domestic Cash Management” and “Best Transaction Bank for Bond Financing” in 2018 by *Asiamoney*;
- “Best Private Bank in China”, “Best Wealth Management Organisation in China”, “Best Bond Advisor in Domestic China”, “Corporate Award — Platinum Award”, “Best National Custodian, China”, “Best Insurance Custodian, China” and “Best Global Coordinator of Bank Capital” in 2018 by *The Asset*;
- “Best Bank in China” and “Best Green Bond in China” in 2018 by *FinanceAsia*; and

- “Best Bank in Asia-Pacific”, “Bank Leadership Achievement of the Year in Asia-Pacific”, “Custodian Bank of the Year in Asia-Pacific”, “Best (Mega) Private Bank in China”, “Best (Mega) Transaction Bank in China” and “Best (Mega) Cash Management Bank in China” in 2018 by *The Asian Banker*.

We strive to duly implement the organic unification of economic and social responsibilities, gaining wide social recognition for supporting economic and social development, protecting environment and resources, and participating in community services. In recent years, we have won awards from various institutions including “Best Social Responsibility Financial Institution Award” and “Best Social Contribution Award” by *China Banking Association* and “Best Chinese State-owned Listed Companies on Corporate Social Responsibilities Award” by *Southern Weekly*.

For the years ended 31 December 2017 and 2018, we achieved profit for the year or period of RMB287,451 million and RMB298,723 million, respectively. As at 31 December 2017 and 2018, we had total assets of RMB26,087,043 million and RMB27,699,540 million, respectively, and our net loans and advances to customers totalled RMB13,892,966 million and RMB15,046,132 million, respectively.

## OUR COMPETITIVE STRENGTHS

### **We possess a leading market position in the PRC with growing international influence.**

We have set our vision to become “a global leading bank with the best profitability, performance and prestige”. We believe that “Industrial and Commercial Bank of China” has become one of the PRC’s best known brand names in the financial services industry, and our international influence is also expanding rapidly.

We rank first in the PRC banking industry in terms of each of total assets, market share of loans and market share of deposits, and we benefit from the scale of our operations. Based on statistics of the PBOC, as at 31 December 2018, our corporate customers increased by 762,000 over the end of the previous year to 7,033,000 and we ranked first in the PRC banking industry in terms of each of corporate deposits and corporate loans. We are also an industry leader in terms of the size of personal loans. As at 31 December 2018, we had RMB27,699,540 million in total assets.

We are one of the highest-rated domestic Chinese commercial banks in terms of credit ratings. Currently, we have a rating of “A” with a stable outlook by S&P Global Ratings Hong Kong Limited (“S&P”) and a rating of “A1” with a stable outlook by Moody’s Investors Service Hong Kong Ltd. (“Moody’s”). Neither Moody’s nor S&P is established in the European Union. However, the ratings they have given to the Issuer are endorsed by Moody’s Investors Service Ltd. and Standard & Poor’s Credit Market Services Europe Ltd., respectively. Each of Moody’s Investors Service Ltd. and Standard & Poor’s Credit Market Services Ltd. is established in the European Union and registered under the CRA Regulation.

With respect to our traditional banking business, we have further strengthened our competitive advantages and leading position, and our corporate loans and deposits and individual loans and deposits businesses have been growing steadily in recent years. As at 31 December 2018, our balance of Renminbi deposits was RMB19,841.40 billion, representing a year-on-year increase of 8.0 per cent. With respect to our emerging businesses and intermediary businesses, we have maintained a high level of growth and development in these areas and further expanded our competitive advantages. As at 31 December 2018, our social financing maintained a stable growth of RMB200.75 trillion, representing a year-on-year increase of 9.8 per cent.

Leveraging on the growth of the PRC economy, we have enhanced our global influence. In recent years, with our strong corporate culture, management capability and operating performance, we have received numerous industry awards from various well-known international media publications and other institutions.

**We have transformed our business operations successfully and have created a leading business model in the PRC banking industry.**

We have transformed our business and optimised our business structure to create a business model that we believe balances risks and benefits and has strong sustainability. We have optimised our asset and liability structure. With respect to assets, we have improved our returns on loans, while maintaining a low proportion of high-risk assets. As at 31 December 2018, our risk-weighted assets to total assets ratio was 62.06 per cent. and our loan-to-deposit ratio was 71.0 per cent. At the same time, in view of the state of the PRC economy and guidance from state macro-control policy, we have maintained reasonable and balanced growth of our total amount of credit, and, on this basis, we have shifted the focus of our work to the adjustment and optimisation of our credit structure and the cultivation of new growth areas. We have optimised our corporate loan product mix in terms of industry allocation, customer allocation and geographical allocation. We have supported the “13<sup>th</sup> Five-Year Plan”, “four regions”, “three supporting belts”, the construction of Xiong’an New Area, and other key projects and programs. Domestic project loans in the amount of RMB 1.14 trillion were extended accumulatively during the year ended 31 December 2017, representing an increase of RMB193 billion compared with the same period in the previous year. We also extended credit to 83 “Going Global” and Belt and Road projects, with a total loan amount of U.S.\$19.1 billion. High quality businesses with strong growth potential, such as personal loans, loans to SMEs and trade finance, have been increasing, which has promoted the development of our large, medium and small customer base and the development of both traditional and emerging markets. With respect to liabilities, through the sale of wealth management products, we re-directed high-cost term deposits and generated income from transaction fees. Meanwhile, we optimised the liabilities structure and effectively controlled the cost of capital.

We have continued to optimise our income structure. We significantly enhanced our efforts to develop low capital consumption intermediary businesses and emerging businesses. In addition, we have pushed forward the diversification of our businesses and promoted a more diversified, stable and balanced income structure. We believe our intermediary businesses lead our peers in terms of both volume and pace of growth. For the year ended 31 December 2017, our fee and commission income was RMB158.7 billion. For the year ended 31 December 2018, our fee and commission income was RMB162.3 billion, representing an increase of 2.3 per cent. over the year ended 31 December 2017. Income from agency funds and insurance, investment and financing consulting, bond issuance and underwriting, corporate wealth management services, asset custody and other business decreased due to volatility in the bond and capital markets, insurance product regulation, replacement of business tax with value added tax and other factors during the reporting period.

**We have established an extensive customer base and effective distribution channels.**

We have an extensive customer base. As at 31 December 2018, we had approximately 7.03 million corporate customers and 607 million personal customers. We have an industry-leading corporate customer base, and the number of high quality corporate banking customers has been increasing. Our optimised customer structure has not only provided us with steady sources of funds and promoted the sound growth of our corporate credit business, but also has laid a solid foundation for the fast growth of our corporate intermediary business. The proportion of our customer base represented by medium and high-end individual customers has increased rapidly in recent periods. Our high end individual customer base provides strong support for the further development of our personal financial products and services.

We have established a well-structured, extensive and efficient distribution network. As at 31 December 2018, we had 16,394 domestic institutions and 426 overseas institutions in 47 countries and regions and indirectly covered 20 African countries through our equity participation in Standard Bank Group Limited. We also established correspondent relationships with 1,502 overseas banks in 145 countries and regions, with a service network covering Asia, Africa, Latin America, Europe, North America and Australia, including major international financial centres. We maintained 130 institutions in 21 countries and regions along the “Belt and

Road” as of 31 December 2018. We have strengthened our network by adjusting the geographical allocation of our branch network and upgrading outlets. We have further diversified our distribution channels in order to enhance our ability to provide individualised services. We have continued to upgrade our operational network, strengthen the build-up of our customer management team and improve our multi-level customer service system and our customer service capabilities.

**We have a leading position in the industry in terms of E-banking capability and technological development.**

We have actively promoted our electronic banking platform, E-banking, as a substitute for traditional physical outlets. Through our customer- and market-oriented services, we have consolidated our leading position in E-banking, accelerated the development of new fields, markets and customers, as well as the expansion of overseas businesses. To ensure balanced and rapid development of the scale, quality and efficiency of our E-banking business, we have further strengthened our risk prevention and control capabilities.

We promote our “ICBC Mobile Banking” brand, and also focus on expanding our business in markets such as mobile banking and e-commerce to increase our brand awareness, thereby further enhancing our market competitiveness. The increase in our E-banking transactions to total transactions ratios has continuously accelerated. As at 31 December 2017, our e-commerce platform “ICBC Mall”, which was developed for high-quality e-commerce and building a one-stop commercial and financial services platform with e-commerce as the core and finance as the foundation, achieved an accumulative transaction amount of RMB1.03 trillion and our instant messaging platform “ICBC Link”, the main bearer of scenarios and the main portal for users which was built as an interactive service platform covering both online and offline users, had 114 million registered users. As at 31 December 2018, ICBC Mall achieved an accumulative transaction amount of RMB1.11 trillion.

We believe we have a leading position in the industry in terms of our E-banking capability. In recent years, we have received numerous awards such as the “Best Consumer Digital Bank in China” and “Best Corporate Digital Bank in China” by *Global Finance*, “Best Mobile Banking” by *Sina.com*, “Best Mobile Banking Brand” by *JRJ.com*, “eStar•Best Mobile Banking Award” by *Analysys*, “Best Personal Internet Banking” and “Best Internet Banking” by *China Financial Certification Authority*, “Consumer Satisfaction Awards: Internet Banking Service” by *Bankrate.com.cn*, “Best Practices in Financial Internet” by *China Internet Banking Union*, “Gold E-banking of the Year” by *Financial Money*, “Best Internet Trade Finance Bank” by *China Banking Association*, “Best Mobile Banking Award” and “Best Personal Online Banking Award” by *China Financial Certification Authority*, “Excellent Mobile Banking Award of the Year” by *China Times*, “Top Ten Innovative Institutions in Internet-based Finance” by *The Chinese Banker*, “Best Internet Financing Bank of the Year” by *Ifeng.com*, “User’s Favorite Brand Best Internet Finance Bank of the Year” by *Caijing.com*, “E-Banking Innovation Award” by *China Internet Banking Union*, “China FinTech Product Innovation Award — Open Online Banking” by *FinTech Entrepreneurship Innovation Program* and “Best Cloud Based Initiative Application or Programme” by *The Asian Banker*.

**We have further enhanced our risk control capability by establishing an advanced, quantitative and comprehensive risk management system.**

We have improved our risk management capabilities, implemented our “Full Process” and “Full Coverage” risk management model and adopted “New Standards” and “New Technology”.

- “Full Process” — Our risk management system covers the complete process of risk identification and quantification, control, monitoring, assessment and reporting, constituting a developed comprehensive risk management organisational structure and system.
- “Full Coverage” — Our risk management system comprehensively covers all of our domestic and overseas branches, subsidiaries and businesses and has been able to identify, measure, monitor and assess

our overall risks. We have established a management system for our consolidated entities and have enhanced our internal transaction management as well as the risk management evaluation for our overseas branches. Our internal rating-based approach has been applied to the whole risk management process from marketing, rating, pricing, approval and authorisation to quality categorisation. We have further expanded the coverage of our industry credit policy and risk limit management and enhanced our credit policy management system.

- *“New Standards”* — In line with the CBIRC’s guidance for the implementation of the new capital regulatory standards, we have strengthened our enterprise risk management systems, improved credit risk management and accelerated market risk management. We believe we maintain a leading level in operational risk management among our peers in the PRC and have implemented prudent liquidity risk management. In 2012, the former CBRC inspected and accepted the implementation of our advanced capital management methods, and our board of directors (the “Board”) reviewed and approved the Compliance & Implementation Planning for Three Pillars of the Administrative Measures pursuant to the Capital Regulation (“Pillar 3”). By the end of 2012, we had met the requirements under the Administrative Measures for the Capital of Commercial Banks of the PRC (Provisional) in information disclosure under Pillar 3. In April 2014, the former CBRC approved the implementation of advanced capital management in six PRC banks including us. The implementation of advanced capital management will promote the adjustment of the asset portfolios of commercial banks in the PRC, enhance capital efficiency and improve capital management capabilities.
- *“New Technology”* — We have built what we believe to be a leading risk management information system in the PRC, which is centralised, refined, streamlined and quantitative and features rigorous controls. We believe that this system conforms to the needs of the expansion of our overseas business and credit management process and reflects the latest measurement technology. We have also established a two-dimensional rating system consisting of customer rating and loan rating. We are able to scientifically measure the probability of default and loss-given-default and apply such probability to our risk control and provisioning process. We can calculate the rate of return based on the risk adjustment through the customer rating and the risk-adjusted return on capital system, which provides an important basis for our decision-making on lending. We adopted our internal model approach (“IMA”) to market risk, developed a global market risk management system through extension of its coverage to overseas institutions and optimised the function of our risk management systems.

Our industry-leading risk management capability has helped us to maintain a low NPL ratio in terms of newly issued loans. Our NPL ratio as at 31 December 2018 was 1.52 per cent.

### **Our advanced information technology systems provide strong support for our business innovation and development.**

We believe that we have in place one of the most advanced information technology systems among all commercial banks in the PRC. Since our initial public offering, we have focused on implementing our “technology driven” development strategy. Our advanced information technology systems have enabled us to maintain a competitive position in various fields such as customer service, product innovation, risk management, operation process re-engineering and electronic banking network expansion.

We have maintained the security and stability of our information technology systems despite a significant increase in our business volumes. We were the first among the five major PRC commercial banks (Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Bank of China Limited, Agricultural Bank of China Limited and Bank of Communication Co., Ltd) to achieve data centralisation, and we were the first large-scale commercial bank in the PRC to adopt a centralised full-function banking system that enables real-time processing of bank-wide data. We have continued to strengthen our information security

and protection, and improved our disaster recovery systems. The establishment of two key data centres (one primary and one backup) in Beijing and Shanghai in 2002 made us the first among PRC banks to complete the data centralisation. Also, we set up a local data centre in Shanghai in June 2015, enabling a full switchover between data centres within minutes.

We have significant capacity internally for continued research and development of our global banking systems and have researched and developed our fourth generation core information system on our own initiatives. We have increased our technological support for our overseas institutions and completed the establishment of systems relating to RMB clearing at our Singapore Branch. We have extended our integrated business processing system (“FOVA”) to cover certain of our overseas institutions. We have also promoted the Internet banking and mobile banking systems of our wholly owned Hong Kong subsidiary, Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”), and have extended our Internet banking coverage to our overseas institutions.

We have established a centralised technology organisation system, formed information technology management and information technology approval committees and formulated complete and sound information technology management systems, technical standards and norms in the PRC banking industry. We have one of the largest and strongest technology teams in the PRC banking industry. In 2018, we obtained 43 new patents from the State Intellectual Property Office, and as at 31 December 2018 we held 549 patents.

**We have steadily implemented our internationalisation and integration strategy for development and enhanced our capability as a comprehensive financial services provider.**

Since our initial public offering, we have seized development opportunities domestically and overseas and steadily implemented our internationalisation and integration strategies, thereby enhancing our capability in cross-region, cross-market and cross-product services. We have accelerated the establishment of our global operation network and enhanced our international service capability by carrying out the following initiatives:

- with a particular emphasis on Asian and other emerging markets, we have focused on growing our businesses in both emerging and developed markets, have expanded our overseas operation network through both organic growth and strategic mergers and acquisitions and have set up both physical outlets and electronic channels;
- leveraging our overseas integrated business licence as well as the strong product support from FOVA for overseas institutions, we have built up our important global product lines, including retail, funds clearing, trade finance, global cash management, specialty financing, investment banking, bank card, Internet banking and asset management, while managing our core businesses including loans, deposits and foreign exchange services; and
- following closely the trend of PRC enterprises expanding their businesses globally, we have promoted the RMB settlement business for cross-border trades and strengthened our integrated ability to serve global customers.

We have established a global network with 426 overseas institutions in 47 countries and regions as at 31 December 2018. On that basis, we have gradually shifted the focus of our internationalisation strategy to the localised, mainstream and differentiated development of overseas institutions. Through strengthening the extension of key product lines abroad and interactions between domestic and overseas operations, we have improved the competitiveness, operation and development of our overseas institutions. In addition, we entered into a series of transactions in recent years to acquire equity interests in overseas banks and financial institutions, such as a 60 per cent. stake in ICBC Standard Bank Plc in the United Kingdom and a 92.84 per cent. stake in Tekstil Bankasi A.S. (“Tekstilbank”) in Turkey (subsequently renamed ICBC Turkey Bank A.Ş.), in order to

further strengthen our global network, each of which was completed in 2015. For further details about our international operations, see “— *International Operations and Diversified Operations*”.

Our overseas branches in Singapore, Luxembourg, Qatar, Canada, Thailand, Argentina and Russia have obtained the qualification to become RMB clearing banks, making us the first PRC financial institution with branches with RMB clearing capability in Asia, Europe, and the Americas and establishing a truly global RMB clearing system operating 24 hours a day and a solid foundation for further promoting cross-border RMB transactions. In 2018, our cross-border RMB business volume reached RMB4.60 trillion. Our RMB clearing capability has facilitated cross-border RMB transactions and promoted the internationalisation of RMB.

In addition, leveraging our advantages in customer relations, capital management and information technology systems, we have proactively set up and accelerated the development of licensed non-banking financial businesses such as investment banking, fund management, financial leasing and insurance with a view to satisfying our customers’ increasingly diversified needs for integrated financial services. ICBC International Holdings Limited (“ICBC International”) through its licensed subsidiaries has actively participated in Hong Kong listings by large multinational corporations and domestic companies and has developed its bond underwriting businesses, through which it has created a more balanced and stable income structure. ICBC Credit Suisse Asset Management Co., Ltd. (“ICBC Credit Suisse Asset Management”) has leveraged its asset management platform, continued to develop new products, expanded its investment management system and realised steady growth in business performance, taking a lead among bank-affiliated fund management companies in the PRC. ICBC Financial Leasing Co., Ltd. (“ICBC Leasing”) continues to work towards expanding its business, quickening its operating transformation and proactively developing leasing products. Relying on our dominant position, ICBC-AXA Assurance Co., Ltd. (“ICBC-AXA”) has adopted a strategy of localised and independent operations and development, deepening bancassurance cooperation and intensifying product development efforts. Recently, we also established ICBC Asset Management (Global) Company Limited in Hong Kong, creating a unified global asset management platform for the Group.

On 8 December 2016, the Board established ICBC Asset Management Co., Ltd (“ICBC Asset Management”) in Beijing with an investment of RMB12 billion, representing 100 per cent. of the registered capital of ICBC Asset Management. ICBC Asset Management is dedicated to our debt for equity swaps business, and is responsible for the overall implementation of the debt for equity swaps business for the entire Group. ICBC Asset Management carries out debt acquisition, debt for equity swaps, asset disposal and other asset management related to debt for equity swaps as required for the debt for equity swaps business, subject to the final scope of business approved by the regulatory authority. The investment has been financed by our own funds. The investment has generated reasonable investment returns for us, promote the upgrade of our conventional business, expand the means for our business innovation, improve our diversified financial service capability, and further consolidate Group resources to push forward the specialised operation of business in the relevant fields. The investment has reduced the enterprise leverage ratio and is consistent with our strategy to develop diversified financial services.

**Our senior management team has extensive experience, and their vision has helped us maintain our leading position in the PRC banking industry.**

Our senior management team has extensive experience in the PRC commercial banking industry. Our president, Mr. Gu Shu, joined us in 1998 and has over 20 years of experience in the PRC banking industry. Our senior management also has long term strategic vision and keen insight into the PRC banking industry. Under their leadership, we have established an industry-leading operating model in the PRC. We have actively responded to changes in the external environment, continued our product development and business innovations, established powerful information technology systems and became the first in the PRC banking industry to establish a comprehensive risk management system. Our senior management team has led our transformation from the PRC’s largest bank to a leading international bank.



Although we have faced adverse external conditions caused by the global financial crisis as well as increasing competition in the industry, we have continued our prudent operations, accelerated our business transformation and maintained smooth and steady development under the leadership of our management team. We believe that our strong management team will be able to lead us in maintaining our competitive advantages in the future, laying a solid foundation for our long-term sustainable growth.

## **OUR STRATEGIES**

Our goal is to become “a global leading bank with the best profitability, performance and prestige”. We aim to strengthen our market position in the PRC banking industry and focus on transforming ourselves into a world-class financial institution. Our overall goal is to maximise shareholder return and achieve sustainable growth. We intend to achieve this through the following strategies:

### **Continuing to optimise our asset and liability structure.**

We aim to optimise our business operations by focusing on new businesses with high-growth potential, including individual loans, trade finance and loans to SMEs, as well as high-growth industries, such as strategic emerging industries, internet sector, service sectors and household products sectors, to further develop our customer base and targeted markets. We intend to maintain a prudent lending policy by promoting our businesses to customers in environmentally friendly sectors and reducing our exposure to industries with high energy consumption and over-capacity.

With regard to liabilities, we will continue to focus on the sale of wealth management products in order to shift our focus from high-cost term deposits and to generate income from transaction fees. We also plan to focus on low-cost demand deposits and interbank deposits in order to optimise our liability structure and achieve reductions in our cost of capital. In order to optimise our income structure, we aim to continue to focus on low capital consumption intermediary businesses (namely settlement, clearing and cash management, personal wealth management and private banking, investment banking, bank cards and emerging businesses) in order to diversify our business and achieve a more stable and balanced income structure.

### **Diversifying revenue and asset mix by expanding into higher growth non-credit businesses.**

We plan to diversify our revenue sources by continuing to develop our non-credit businesses. We believe that many fee and commission-based products and services will experience strong growth over the next few years as the PRC economy continues to grow, the PRC financial services sector experiences further liberalisation and our customers’ banking needs become more sophisticated. We plan to increase our support and investment in asset management and financial leasing businesses and to expand into other non-credit businesses such as financial insurance.

- In corporate banking, we intend to continue to focus our team of customer relationship managers on important customers by size while expanding the range of products and service offerings to such customers, including insurance brokerage, asset custody, cash management, bank cards and payroll services to insurance companies. We also intend to continue to improve the synergies between our corporate banking and investment banking businesses.
- In personal banking, we plan to further develop personal wealth management and other investment products, standardising services and distribution bank-wide to provide tailored products and services focused on high net worth customers and customer groups with high growth potential.
- In our treasury business, we intend to continue to enhance our investment and trading capabilities, upgrade our trading systems, improve the quality of investment and trading personnel, develop new

products and services, strengthen our liquidity management and increase the return on our non-credit assets.

- In addition, in light of the opportunities presented as a result of increasing globalisation of the RMB, we plan to further develop our cross-border RMB businesses and to improve our RMB settlement system.

We believe that by offering a broader range of non-credit products and services coupled with prudent risk management, we will not only improve customer satisfaction and attract new customers, but also create attractive new revenue sources and improve our overall profitability.

**Strategically expanding our traditional branch network and enhancing sales and marketing capabilities through electronic banking operations and cross-market and integrated operating platforms.**

In order to further enhance the marketing of our products and services and to achieve greater operational efficiencies, we intend to fully leverage our advanced information technology platform and customer relationship management systems. We intend to actively cross-sell our products and services to our existing customers and provide enterprise with more flexible and diverse financial service options through our extensive network and cross-market and integrated operating platforms. Furthermore, we plan to expand our electronic banking operations through installing additional ATMs and upgrading our technology platforms for mobile and Internet banking services to deliver more products and services to our customers in a timely, reliable and convenient manner and to further increase revenue derived from our electronic banking platform.

**Continuing to invest in information technology infrastructure and to utilise advanced technology to support our growing business.**

We aim to further invest in information technology infrastructure and to apply data analytics, cloud computing and mobile Internet technologies in areas such as marketing and sales, customer services, product innovation and risk control in order to support our business, with a focus on the integration of finance and technology. We will continue developing our three major platforms: “ICBC Mall”, “ICBC Mobile” and “ICBC Link”. We intend to use the technology at our disposal to gain more insight into our customers’ demands, to increase our business and risk management capabilities and effectiveness, to strengthen dynamic risk assessment and real time alert controls and to develop an integrated platform combining online and offline services for our customers.

**Continuing to strengthen risk management and internal control systems.**

We believe effective risk management is an essential component of our overall business strategy. We plan to continue to align our risk management and internal control capabilities with international best practices. We intend to continue to implement enhanced risk management procedures for credit exposures, such as improving our risk warning and early identification and prevention and mitigation capabilities. We are also instituting changes to further strengthen the independence of our internal control functions and to improve our bank-wide internal control systems. We also seek to continue to improve our risk management capabilities by enhancing our asset and liability management capabilities and by further centralising our risk management.

**Enhancing employee performance through performance-linked incentive schemes and regular training and development initiatives.**

We intend to continue to manage our human resources through various initiatives in order to support our business strategies. We have introduced four career tracks into our human resource system, namely, “managerial”, “professional”, “sales and marketing” and “operational”, in order to facilitate employee career development and enhance performance appraisal and remuneration measures. We intend to continue to provide training and development programmes for our employees to enhance their skills and professional development. We also intend to further improve our management and employee incentive system, including adopting an economic value-added-based incentive scheme, such that an employee’s income is tied to his or her personal

performance and the contribution made by his or her respective work units. We believe that through these initiatives, we can attract, retain, motivate and develop a workforce of high quality.

## **OUR BUSINESS OPERATIONS**

Our principal businesses include corporate banking, personal banking, financial asset services and treasury operations.

### **Corporate Banking**

Our corporate banking products and services include corporate deposits and loans, SME business, institutional banking business, settlement and cash management, international settlement and trade finance and investment banking.

We believe we have the largest corporate banking customer base in the PRC. As at 31 December 2017 and 2018, the number of our corporate customers was 6.3 million and 7.03 million, respectively, with an increase of 10.8 per cent. from 31 December 2017 to 31 December 2018. We provide a wide range of corporate banking products and services to state owned enterprises, privately owned enterprises, foreign-invested enterprises, government authorities and other entities. Our corporate banking business has maintained a leading position in the PRC banking industry. Our corporate loan business maintained steady growth of loan portfolio size with continued optimisation of term structure and product structure. We also continue to lead the PRC corporate deposits market, with the mix between time deposits and demand deposits being generally maintained at a steady level.

### **Corporate Loans**

Corporate loans represent the largest portion of our loan portfolio. Our corporate loans include short-term loans and medium to long-term loans. As at 31 December 2017 and 2018, the balance of our corporate loans was RMB8,936.9 billion and RMB9,418.9 billion, respectively.

We provide short-term loans with maturities of up to one year to our corporate banking customers. A substantial majority of our short-term corporate loans are working capital loans including trade finance loans. In addition, we provide our corporate banking customers with bills discounting, factoring and forfeiting loans. As at 31 December 2018, the balance of our short-term corporate loans amounted to RMB2,504.5 billion, accounting for approximately 26.6 per cent. of the balance of our corporate loans.

Our medium to long-term corporate loans generally feature terms ranging from one year to 10 years and primarily comprise project loans and property loans. As at 31 December 2018, the balance of our medium to long-term corporate loans amounted to RMB6,914.4 billion, accounting for approximately 73.4 per cent. of the balance of our corporate loans.

In recent years, we have adopted the following measures to promote the stable growth and structural optimisation of our corporate loans business:

- in response to changes in the macroeconomic environment, we optimised the distribution of our lending and further adjusted our credit structure to promote the stable and healthy development of our credit business;
- we proactively provided support for the real economy, satisfied funding needs of key national and regional projects and extended more loans to Central and Western China and Northeastern China;
- we allocated additional financial resources to key industries and quality customers so as to support key national projects under construction and expanded our businesses in areas such as urbanisation-related industries, basic industries and infrastructure, energy and resources, modern services industries,

advanced manufacturing, cultural industries, environmental protection, energy conservation and modern agriculture;

- we strengthened the management of our lending to LGFVs and controlled loans to the real estate industry and industries with over-capacity, and gave financial support to various energy conservation and emission reduction projects;
- we accelerated the development of our supply chain financing, including providing e-supply chain financing products in order to enhance the development of trade finance and SME credit business; and
- we increased our efforts to compete for major corporate customers and industrial leaders, and sought new customers among core enterprises and upstream and downstream SMEs of supply chains, in an effort to achieve balanced growth of high quality large, medium and small corporate customers.

### ***Corporate Deposits***

We provide corporate banking customers with multiple demand and time deposit-taking services in RMB and major foreign currencies. Corporate deposits constitute our major source of funds. The maximum interest rates we are permitted to pay on regular time deposits and demand deposits are set by the PBOC. In response to challenges posed by the liberalisation of interest rates, we leveraged our advantages in integrated financial services such as corporate wealth management, cash management, E-banking and assets custody to increase our market competitiveness in the corporate deposits business.

As at 31 December 2017 and 2018, the balance of our corporate deposits was RMB10,705.5 billion and RMB11,481.1 billion, respectively.

### ***Inclusive Finance***

We offer comprehensive financial services to SMEs to satisfy their settlement and financing needs. We offer short-term and medium to long-term financing services to SMEs as well as settlement, treasury and cash management services in relation to domestic and international trade. SMEs may obtain loans secured by their real estate properties, inventory, receivables or financial notes and guarantees as collateral, or they may obtain loans based on credit.

As at 31 December 2018, the loans to small and micro enterprises with total loans of no more than RMB10 million for each enterprise was RMB321,685 million, representing an increase of RMB49,203 million or 18.1 per cent. compared to 31 December 2017.

In line with the PRC Government's policies to support the development of SMEs, we optimised our financial services to SMEs and have sought to provide professional, efficient and convenient financial services to SMEs. In recent years, we have implemented the following measures to promote our inclusive finance business:

- we promoted our specialised operations targeting SMEs and increased the number of employees qualified for SME credit business;
- we established an independent micro and small enterprise banking business management system, launched the pilot micro and small enterprise banking centre, developed the institutions specialising in micro and small enterprise banking in a practical manner and improved the intensive and professional operation. As at 31 December 2018, we had established 258 small and micro enterprise banking centres;
- we accelerated the introduction of new products and promoted financing products for SMEs such as small business online revolving loans, credit-based lending, loans for operating assets improvement, facilities mortgages and the "Easy Loan Corporate Card";

- we provided financial solutions to small and micro enterprises in specialised markets and industrial clusters so as to expand our customer base;
- we strictly controlled credit risks to ensure the sound development of our small enterprise credit business; and
- we introduced pilot medium and long-term credit products such as commercial housing mortgage loans and property building loans to SMEs, and we designed “tourism loans” products for tourist attraction developers secured by the right to charge for the attraction.

In 2013, we were awarded the “Advanced Unit of National Banking Financial Institutions to Provide Financial Services for Small and Micro Enterprises” by the CBRC and the “Outstanding Contribution Award in Financing for Small and Medium-sized Enterprises” by the *China Association of Small and Medium Enterprises*. In 2014, we won the “Award of Outstanding Contribution to Micro and Small Enterprise Finance” by *National Business Daily*. In 2016, 2017 and 2018, we were awarded the “SME Business Bank with Excellent Competitiveness” by *China Business Journal*.

### ***Institutional Banking***

Our institutional banking businesses include financial services provided via our cooperation with securities companies, insurance companies, other banks, governmental agencies and futures companies.

In recent years, we have carried out various strategic initiatives to enhance the sustainable development of our institutional banking business. We offer diversified financial services to institutional customers covering assets, liabilities and intermediary services. We have improved financial services relating to the livelihood of our customers, such as social insurance, housing allowance, finance, education and medical care. Furthermore, we improved our diversified financial services package, initiated inter-bank cooperation and effectively consolidated partnership with our customers. In particular, we have implemented the following measures:

- we developed our five service platform systems relating to social insurance, housing allowance, finance, education and medical care and improved our diversified financial services package;
- we focused on developing and improving our services, explored different market segments and sought to maintain and improve our institutional banking competitiveness, which contributed to the development of our institutional banking business;
- we promoted inter-bank cooperation and the development of businesses such as RMB financing, payment and settlement agency, foreign exchange clearing, international settlement, trade finance, domestic foreign-currency payment and underwriting of financial bonds;
- we became one of the first banks in the PRC to obtain settlement bank qualifications for the National Equity Exchange and Quotations and were also one of the first comprehensive clearing members of the Shanghai Clearing House for RMB interest rate swap centralised clearing services;
- with reference to new policies and regulations governing the capital markets, we strengthened the integration between our internal institutions and branches, and also expanded cooperation with securities companies in areas such as asset management, underwriting and issuance, securities clearing and other related services in order to offer innovative products for our bank-securities businesses;
- we actively marketed to insurance companies to reinforce cooperation in bancassurance, payroll payment agency service, assets custody, cash management and other fields and strengthened our partnerships with commodity exchanges, introducing standard warehouse receipt pledge financing; and

- we successfully launched our overnight trading business for gold futures and developed an innovative account opening appointment service to help customers open accounts to facilitate the transfer between their bank accounts and futures accounts.

We co-operated with other banks operating in the PRC for payment of domestic and foreign currency and bond underwriting.

### ***Settlement and Cash Management***

We provide domestic clearing and settlement services for our customers and comprehensive services such as centralised cash management and transfer for large companies and their subsidiaries.

We have expanded our cash management services into financial asset management and have developed a variety of management products such as management of account transactions, liquidity management, supply chain finance, investment and wealth management. We offer personalised and professional cash management service plans to meet the cash management needs of rapidly developing industries, including cultural industries, logistics, tourism and equipment manufacturing. We built the brand system called “Caizhi Account” as the core brand to enhance our influence in the cash management market.

In recent years, we have implemented cluster marketing strategies to strengthen the marketing of important products, enhance the establishment of channels for corporate customers and optimise our customer structure. The “Enterprise Link” service integrating functions such as industrial and commercial registration, account opening, Internet banking and settlement was selectively rolled out at certain locations for a full range of comprehensive, one-stop services for new registrants. The functions of the Caizhi Account were improved to enable inter-bank point-of-sale card transactions and self-service small deposit and withdrawal.

With diversified products and services, we offer comprehensive cash management solutions to corporate customers such as account management, liquidity management, collection and payment management, information service and risk management. We provide corporate groups with a centralised operations management service of cross-border RMB and foreign exchange funds and cross-border cash management service based on the policies of the China (Shanghai) Pilot Free Trade Zone, extending the global cash management business to nearly 70 countries and regions. In recent years, we were named the “Best Cash Management Bank in China” by The Asset, Global Finance and The Asian Banker.

As at 31 December 2017 and 2018, we maintained approximately 7.5 million and 8.3 million corporate settlement accounts, respectively. For the years ended 31 December 2017 and 2018, our volume of corporate RMB settlement was RMB3.90 trillion and RMB2.60 trillion, respectively.

As at 31 December 2017 and 2018, we had approximately 1,381,000 and 1,375,000 cash management customers, respectively; and 6,388 and 7,282 global cash management customers, respectively.

### ***International Settlement and Trade Finance***

In recent years, we have accelerated the development of our international settlement and trade finance business and actively promoted our brand, and we believe we have established a competitive edge over our peers in the emerging international business area through the following initiatives:

- we leveraged our advantages in domestic and foreign currency resources and close interaction between domestic and overseas branches and improved our product portfolios by integrating financing, settlement, wealth management and trading to better serve the needs of our import and export enterprise customers;
- we accelerated the expansion of global supply chain products, integrated products denominated in RMB and foreign currencies and optimised our business structure;

- we launched an import aval business and e-presentation of documents of letter of credit, and rolled out a global documents management system, further enhancing the centralised processing efficiency of our documents management business;
- we strengthened our systems for checking trade backgrounds to prevent false transactions and arbitrage behaviours of enterprises;
- we participated in cross-border RMB pilot programmes in many regions, including the Shanghai Free Trade Zone, Khorgos Xinjiang and Qianhai Shenzhen, and participated in the launch of various innovative services and products such as two-way RMB cross-border cash pooling and overseas RMB lending; and
- we improved the “ICBC Cross-border Express” product system and launched innovative RMB cross-border products such as Direct Financing Express, agreed-upon payment and structural financing.

In 2018, our domestic branches disbursed an aggregate of U.S.\$53.04 billion in international trade finance, international settlements in our domestic branches registered U.S.\$2.9 trillion, and international settlements amounted to U.S.\$2.9 trillion, including U.S.\$1.1 trillion handled by our overseas institutions.

### ***Investment Banking***

Our investment banking business mainly includes regular financial advisory services, enterprise credit services, investment and financing advisory services, syndicated loan arrangement and management services, corporate assets and debt restructuring services, corporate acquisition and merger services, asset securitisation or quasi asset securitisation services, credit capital transfer and trading services, underwriting of corporate debt financing instruments such as commercial paper, medium-term notes and financial bonds, direct investment advisory services, financial advisory services for corporate issuance of equities and bonds and services for equity investment funds.

We provide diversified financing services for our corporate customers, quality investment products for our high net-worth customers and restructuring and mergers and acquisitions services for our corporate customers with global operations. For example, we advised on Guotai Junan’s acquisition of Shanghai Securities and TCL Corporation’s private placement and acted as the mergers and acquisitions consultant for Jinjiang International’s acquisition of Louvre Hotel Group and Fosun International’s acquisition of Club Med. We participated in the reform of state-owned enterprise, innovated major capital financing methods and expanded bond underwriting business and equity financing business in the capital markets. We also participated in the enterprise asset securitisation business as a financial adviser, introduced the advisory service for distribution of investment banking products and improved marketing and integration of funding channels. We also enhanced our investment banking research products and strengthened the e-service channel for investment banking services.

In 2017 and 2018, our investment banking income was RMB23,189 million and RMB24,002 million, respectively, with an increase of 3.5 per cent. from 2017 to 2018. During the same period, we underwrote various debt financing instruments worth in aggregate RMB1,293.8 billion and RMB1,324.8 billion, respectively.

### ***Personal Banking***

Our personal banking products and services include savings deposits, personal loans, private banking, bank cards, personal wealth management and others.

Following the acceleration of the liberalisation of interest rates and the rapid development of Internet-based finance, the market competition environment has become increasingly fierce. We improved our customer-

oriented operating service system, integrated service capability and advantages in retail banking. In 2016, we were named the “Best Consumer Digital Bank in China” by Global Finance.

As at 31 December 2017 and 2018, we had approximately 567 million and 607 million personal banking customers, respectively, with an increase of 7.0 per cent. from 31 December 2017 to 31 December 2018. As at 31 December 2017 and 31 December 2018, we had approximately 12.26 million and 13.29 million personal loan customers, respectively, with an increase of 8.4 per cent. from 31 December 2017 to 31 December 2018.

### ***Personal Deposits***

We provide demand deposits and term deposits in RMB and foreign currencies. We targeted important customer groups, constantly expanded our customer base and optimised the customer structure. We promoted the “ICBC Salary Manager”, a financial service product based on our payroll payment agency service. Adapting to the trend of interest rate liberalisation, we enhanced our management of interest rates. The synergetic development of our wealth management products and savings deposits promoted improved circulation of customer funds within our system.

As at 31 December 2017 and 2018, the balance of our personal deposits amounted to RMB8,568.9 billion and RMB9,436.4 billion, respectively, representing an increase of 10.1 per cent. from 2017 to 2018. As at 31 December 2018, our personal demand deposits and personal time deposits rose by 4.5 per cent. and 12.8 per cent., respectively, compared to such deposits as at 31 December 2017.

### ***Personal Loans***

Loans to personal customers include residential mortgages, personal consumption loans, personal business loans and credit card overdrafts. Personal loans are a major component of our personal banking business. In recent years, residential mortgages have become an important component of our personal loans business, and have been growing in a steady and healthy manner. In light of our consumers’ changing consumption patterns and transaction practices, we applied “Easy Loan” in a wider scope. “Easy Loan” is an unsecured retail consumer loan product characterised by small value, speed and convenience designed to meet our customers’ varied financial needs. Our personal customers can pledge their financial assets and quickly and conveniently obtain loans by providing different kinds of collaterals.

As at 31 December 2017 and 2018, our personal loans amounted to RMB4,945.5 billion and RMB5,636.6 billion, respectively, representing an increase of 14.0 per cent. Our residential mortgages as at 31 December 2018 rose by 16.5 per cent. compared to such mortgages as at 31 December 2017.

### ***Private Banking***

We provide a broad range of products and services to our private banking customers, including asset management, product selection, alternate investments, carte blanche, consultancy, financial management, cross-border financial services, wealth succession and other value-added services. Since 2013, we have increased our efforts to supplement our private banking business network and extend our product lines, forming a nationwide coverage network for high net-worth customers. We have also expanded our Internet financing services, and we seek to develop comprehensive private banking products and services channels and to provide services through Internet banking, mobile banking, WeChat and social networking platforms.

We have established a relatively comprehensive global network covering 20 countries and regions, where the private banking centre in Hong Kong serves as our global product development centre and additional regional centres were set up in Europe, Singapore and the Middle East. Global Wealth Management Fund of Private Banking was registered in Luxembourg as the first private equity fund established by a PRC commercial bank in the international mainstream fund market. We were named the “Best Private Bank in China” by *The Assets* and *Asiamoney* and the “Best Private Bank Brand in China” by *Securities Times* in 2016 and “Best Private Bank for Millennials” by *Global Finance*, “Best Private Banking Institution” by China Banking Institution,



“Pioneering Private Bank” by *International Financial News* in 2017, “Best Private Bank in China” by *The Asset* in 2018 and “Jun Ding Award for China’s Private Banking Brand” by *Securities Times* in 2017 and 2018.

As at 31 December 2017 and 2018, we had a total of approximately 75,500 and 80,700 private banking customers, respectively, representing an increase of 6.9 per cent. As at the same dates, our total assets under management in private banking business was RMB1.34 trillion and RMB1.31 trillion, respectively, representing a decrease of 2.3 per cent.

### ***Bank Cards Business***

We provide personal customers with comprehensive bank card products and services, including single-currency and dual-currency credit and debit cards. Our “Peony Card” brand is one of the most renowned bank card brands in the PRC. In recent years, we have improved bank card service quality, increased bank card product development and further solidified our leading position in the PRC bank card industry.

As at 31 December 2017 and 2018, we had issued approximately 908 million and 991 million bank cards, respectively, representing an increase of 9.1 per cent. from 31 December 2017 to 31 December 2018. Bank card business generated a fee income of RMB38,692 million in 2017 and a fee income of RMB43,719 million in 2018. For the year ended 31 December 2018, the consumption volume of our bank cards amounted to RMB7.0 trillion, including RMB4.1 trillion of spending with debit cards and RMB2.9 trillion of spending with credit cards.

### ***Credit Cards***

We are the largest commercial bank in the PRC in terms of the number of credit cards issued, the consumption volume via credit cards and the amount of overdraft. We offer RMB credit cards and dual-currency credit cards such as RMB-U.S.\$, RMB-EUR and RMB-HKD credit cards. Leveraging our advanced technology and large customer base, we target the needs of our customers to satisfy their unique needs. Based on our five key products of transportation card, public servant card, PetroChina card, Mutual Fund Card and commercial flight card, we seek to increase our card issuance and to improve service quality.

In 2014, we upgraded the rights and interests of Peony Driver’s Card and ETC Co-brand Card to better serve auto owners. A brand new credit card, named ICBC I Sports, was created to provide our customers who engage in physical exercise with discounts and privileges. To expand our business in the offshore consumption markets, we made greater effort to promote the all-currency card, Global Travel Credit Card and air travel card. A larger share of the small-value, quick payment market was seized on the strength of the ICBC Cool Pass Card. With innovations in Internet-based financial products, we were the first in the PRC to have point-of-sale online by combining the four authentication methods (Internet banking payment, mobile phone verification, 3D certification and payment without presenting a bank card) for universal acceptance of bank cards by online merchants. We streamlined the promotion of Easy Loan corporate cards for small and micro merchants based on the big data technology by expanding our marketing coverage to remove the financing bottleneck of small- and medium-sized enterprises. We were named “No. 1 Credit Card Brand in China” by the Ministry of Industry and Information Technology and also won the *Global Finance* “Best Commercial Corporate Credit Card” and received the “Best Risk Control in Asia-Pacific” from Visa Inc.

As at 31 December 2018, we had 151 million credit cards issued. As at 31 December 2017 and 2018, the total overdraft of our credit cards was RMB534.8 billion and RMB626.5 billion, respectively, representing an increase of 17.1 per cent. from 31 December 2017 to 31 December 2018. The increase was primarily attributable to a stable growth in the number of credit cards issued and their consumption volume as well as the development of credit card instalment business.

### *Debit Cards*

We issue RMB debit cards and dual currency debit cards, such as RMB-U.S. dollar debit cards, to our customers. In recent years, we adopted measures to improve the safety of chip cards, promoted single chip cards and improved card replacement services. Chip cards have wider industry applications such as social security, medical care, transportation, education and electronic identification, as one card could be applied in many sectors. As at 31 December 2018, we had 840 million debit cards in issue.

### **Asset Management Services**

Our asset management services include wealth management services, asset custody services and pension services.

In recent years, we have adopted the following measures to promote stable growth and optimise the structure of our financial asset services:

- we engaged in cross-industry cooperation and competition with other institutions in order to seize the market opportunities for asset management services and satisfy our customers' needs for the management of their financial assets;
- we consolidated our advantages in wealth management, custody and pension businesses and the functions of subsidiaries specialised in investment banking, funds and insurance;
- we expedited the establishment of an integrated business operation system covering domestic and overseas regions across different lines of business; and
- we built a full-service asset management platform covering a wide range of markets and clients.

### **Wealth Management Services**

We offer comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions. In recent years, we reformed our profit centres, optimised our procedures for wealth management product development, investment management and risk management and promoted the standardised, sustainable and orderly development of the business. Also, we adapted our products in order to meet the demands of various types of customers with different risk-reward features and investments in different types of markets.

We prioritise the development of product lines such as Enhanced Return series, Stable Return series, Non-fixed Term series and Quasi-fund series. We launched "TONGLI" corporate product series exclusively for customers of other banks and customised area-specific wealth management products in order to bolster the development of Western China, county areas and remote regions. We optimised product issuance and marketing strategies, and at the same time expanded online and off-line sales channels. As a result, our customers can access our wealth management products online.

At the end of 2017, our stock wealth management products totalled RMB3,012,084 million. As at the end of 2018, the outstanding balance of our non-principal guaranteed wealth management products was RMB2,575,857 million.

### **Asset Custody Services**

We provide a range of custody services to securities investment funds, enterprise annuity, the National Council for Social Security Fund of the PRC, insurance companies, commercial banks, qualified foreign institutional investors ("QFII"), qualified domestic institutional investors ("QDII") and other bank customers, including assets custody, investment clearing, accounting, asset valuation, transaction monitoring, collective payment and information disclosure services. In 2015, we leveraged our advantages in custody services in the capital markets and launched marketing campaigns. We successfully took custody of the first mixed ownership reform fund,

the first merger and acquisition concept fund, the first fund investing into the Hong Kong market under the Shanghai-Hong Kong Stock Connect approach and the first securities broker's publicly offered fund. We actively expanded emerging custody service markets. Enterprise annuity funds under custody scaled up rapidly, giving us the largest market share among PRC banks. In 2016, we successfully obtained the custody qualification for national basic pension insurance and Korean Securities Depository and were awarded the "Custodian Bank of the Year in China" by The Asian Banker in 2018.

As at 31 December 2017 and 2018, the total net value of our assets under custody was RMB15.6 trillion and RMB16.3 trillion, respectively, representing an increase of 10.6 per cent. from 31 December 2017 to 31 December 2018.

### ***Pension Services***

In recent years, leveraging on the strengths of our business qualifications, service network and advanced information systems, we have promoted the development of our pension businesses. Also, diversifying the product system, we optimised our integrated enterprise annuity scheme "Ruyi Pension Management" and serial pension-related wealth management products "Ruyi Benefit Plan" and issued Taikang Golden Banking Co-brand Card for Special Medical Services. A variety of service channels including sales outlets, Internet banking, telephone banking and mobile banking were made available, enabling customers to have better transaction experience. Our pension services won awards from the China Banking Association such as the "Best Performance Award" and the "Best Development Award". Since 2012, we have been the market leader in the PRC banking industry in terms of the size of our enterprise annuity funds under trusteeship, the number of individual enterprise annuity accounts and the size of total individual enterprise annuity funds under custody.

As at 31 December 2017 and 2018, our pension funds under trusteeship amounted to RMB107.9 billion and RMB115.5 billion, respectively, representing an increase of 7.0 per cent. As at the same dates, we managed approximately 17.30 million and 17.87 million individual pension accounts, respectively, representing an increase of 3.3 per cent.; while pension funds under our custody totalled RMB501.6 billion and RMB546.2 billion, respectively, representing an increase of 8.9 per cent.

### **Financial Market Business**

Our financial market business operations include money market, investment business, financing business, franchise treasure business, asset securitisation business and precious metals business. We aim to enhance the profitability of our treasury operations through product innovation, timely adjustment of investment and trading strategies, enhancement of our capital operation efficiency, improvement of management capabilities and prevention of business risks.

### ***Money Market Activities***

Our money market activities include: (i) short-term borrowing and lending with other banks and financial institutions; and (ii) bond repurchase and purchase. We have adopted a cautious development strategy for our business with other banks and financial institutions. We aim to increase the return on our funds, and we conduct our business activities flexibly in response to our liquidity management needs.

In respect of foreign currencies, we aim to increase the return on our funds while ensuring sufficient liquidity. We have strengthened the management of our foreign currency funds position to secure the safety of foreign exchange payments. In addition, we have closely monitored market developments and cautiously selected counterparties to mitigate credit risk; we have also arranged term structures to improve the yields of our foreign currency fund operations.

### ***Investment***

We make investments in RMB-denominated bonds issued by the PRC Government, the PBOC, policy banks and a few other local financial institutions, short-term commercial paper issued by domestic enterprises, and foreign currency bonds issued by foreign governments, financial institutions, and corporations. We also trade bonds and bills that are issued by the PRC Government, the PBOC and foreign governments as well as derivatives, foreign exchange and foreign/local currency dominated bonds. In respect of our trading book investment, we have adopted swing trading and trend trading strategies, and we trade according to market trends. We have strictly managed credit risks and increased holdings of treasury bonds and policy financial bonds where appropriate. In respect of banking book investment, we take into consideration trends in the market. We have moderately increased the proportion of our investment in quality credit bonds and policy financial bonds with comparatively high value and have increased our holdings of medium term bonds to optimise the structure of our investment portfolio and increase return.

In respect of foreign currency bonds, we have proactively adjusted our trading strategies to increase profitability. For banking book investments, we also actively managed currency risks and adjusted the maturity profile of investments. We have continued to increase investments in quality corporate bonds, flexibly adjusted the regions and currencies in which we invest and decreased the risks of our investment portfolio.

### ***Financing***

We engage in active liability management. We have diversified the sources of funding from different channels and with different tenors through a variety of active liability management instruments such as inter-bank certificates of deposit and financial bonds to support the growth of our business. For example, on 12 November 2013, our issuance of RMB2.0 billion offshore RMB bonds in London became the first direct issuance of offshore RMB bonds by a head office of a PRC financial institution in the London market. As one of the pilot institutions, we successfully issued inter-bank certificates of deposit in the amount of RMB3.0 billion on 12 December 2013. In 2014, our Head Office offered RMB bonds totalling RMB2.5 billion in Hong Kong and eight issues of inter-bank certificates of deposit totalling RMB10,640 million in the domestic inter-bank market.

In August 2014, we publicly offered RMB20.0 billion ICBC Tier 2 Capital bonds in the national inter-bank market with a tenor of 10 years. On 15 June 2015, we issued our first tranche of large-amount certificates of deposit. On 15 September 2015, we issued Tier 2 Capital bonds with an aggregate nominal amount of USD2,000 million and a tenor of 10 years, bearing a fixed interest rate of 4.875 per cent. per annum. On 25 March 2019, the Bank issued RMB55 billion of Tier 2 Capital bonds, comprising a tranche of RMB45 billion with a fixed interest rate of 4.26 per cent. per annum and a tranche of RMB10 billion with a fixed interest rate of 4.51 per cent. per annum. On 26 April 2019, the Bank issued a further RMB55 billion of Tier 2 Capital bonds, comprising a tranche of RMB45 billion with a fixed interest rate of 4.40 per cent. per annum and a tranche of RMB10 billion with a fixed interest rate of 4.69 per cent. per annum.

### ***Franchise Treasury Business***

We offer a wide range of treasury operations services to enterprises and individual customers on an agency basis. We provide spot and forward foreign exchange trading services, swap transaction services for RMB and foreign currencies and interest rate swap for RMB. In addition, we act as an agent for foreign exchange trading on behalf of our clients 24 hours a day, and we trade foreign currencies, precious metal, forward foreign currency contracts, interest rate swaps, currency swaps, options and other financial derivatives on behalf of our customers.

We enhanced our service capability of personal foreign exchange settlement and sales outlets and increased the variety of trading currencies. We promoted usance/forward foreign exchange trading business of corporate Internet banking, further enhancing our corporate exchange trading service capabilities. We initiated the foreign currency trading business among the currencies of 80 emerging countries along the “Belt and Road”. In 2017,

the volume of franchise foreign exchange trading stood at U.S.\$203.4 billion. We launched bundled marketing of foreign exchange trading, trade finance and RMB and foreign currency-denominated deposits to meet customers' currency management needs. The volume of franchise foreign exchange settlement and sales hit U.S.\$449.9 billion in 2018, representing an increase of 63.2 per cent. compared with that for the same period in 2017.

We had paper gold, silver, platinum and palladium to offer and supported RMB and U.S.\$-denominated deals under a range of flexible transaction patterns, including real-time, pending order, conversion and automatic investment. The above paper trading increased over the years. Our paper trading amounted to RMB\$411.0 billion in 2017 and to RMB\$587.1 billion in 2018. We have continued to promote innovation in the over-the-counter ("OTC") bond business by issuing the first batch of OTC local government bonds in Ningbo, Zhejiang, Sichuan, Shaanxi, Shandong and Beijing. We also cooperated with China Development Bank Bond in the distribution of two tranches of OTC poverty-alleviation bonds.

### ***Asset Securitisation Business***

Asset securitisation is the process of converting assets with low liquidity into liquid securitisation products through risk isolation, conversion and packaging of cash flows and credit enhancement. The assets with low liquidity that can be converted are generally assets with stable cash flows such as residential mortgage loans, commercial property mortgage loans, project loans and other cash generating assets.

In 2017, we issued seven tranches of asset securitisation programmes totalling RMB46,565 million. Among them, two tranches were non-performing credit card loans programmes and two non-performing personal loans programmes, and these programmes helped us with our NPL disposal and the improvement and adjustment of our credit structure; we issued three tranches of residential mortgage securitisation programmes, thereby effectively supporting the new demands for residential loans. During the year ended 31 December 2018, we issued 69 tranches of asset securitisation programmes totalling RMB216,806 million in Mainland China. Among them, 48 tranches were residential mortgage securitisation programmes and 18 tranches were non-performing personal loans securitisation programmes.

### ***Precious Metals***

We operate four product lines in our precious metals business: physical bullion, trading, precious metals linked financing and wealth management. Due to fluctuations of the precious metals market, we adjusted our business structure and diversified our products to promote our precious metals business. In the year ended 31 December 2018, we continued to provide precious metal trading brokerage, agency and clearing services to PRC and foreign customers and physical gold warehousing and agency custodian services in the China (Shanghai) Pilot Free Trade Zone for foreign customers through the Shanghai Gold Exchange's International Board in the China (Shanghai) Pilot Free Trade Zone.

For the years ended 31 December 2017 and 2018, we cleared RMB446.6 billion and RMB345.5 billion, respectively, on behalf of the Shanghai Gold Exchange.

## **DISTRIBUTION CHANNELS**

We deliver our products and services through a variety of distribution channels. We have built an integrated distribution system that enables online and offline integration, making the system available to our customers through any single point of access. We continue to improve the layout of physical outlets and expand the network in key regions and emerging markets at a moderate pace.

## **Physical Outlets**

We have established presence in six continents, with a global network covering 47 countries and regions as of 31 December 2018. In addition, through our equity participation in Standard Bank Group Limited, we indirectly cover 20 countries in Africa. We provide comprehensive financial products and services to approximately 7.03 million corporate customers and 607 million personal customers via our distribution channels consisting of 16,394 domestic institutions, 426 overseas institutions and 1,502 overseas correspondent banks in 145 countries (in each case, as at 31 December 2018), as well as through our E-banking network comprising a range of Internet and telephone banking services and self-service banking centres, forming a diversified and internationalised operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in the commercial banking sector.

We started a reform to standardise the operational management throughout outlets, built an operational management platform and formulated operating standards, including operating status, high/low counter allocation, post setting and teller allocation of outlets, to optimise their resource allocation. Also, we improved the layout of physical outlets and moderately expanded the channel network in key regions, areas with potential and emerging markets. We also upgraded and adjusted outlets with low efficiency and completed upgrading and adjustment of outlets with low efficiency by diversified means of merger, relocation and renovation. Moreover, we reinforced coordination and allocation as well as service collaboration between self-service banking and physical outlets, introduced the intelligent service mode on a pilot basis at selected locations, and continued to enhance the service efficiency of outlets.

## **Electronic Banking**

We closely followed the trend of mobile, personalised and intelligent banking, intensified innovation and implementation of E-banking products and services, and built an integrated and open E-banking platform. We continued to build the overseas E-banking channel and launched overseas products such as trade finance of overseas corporate Internet banking and corporate Internet banking cross-border authorisation, ensuring global distribution of our overseas E-banking business. In 2018, our E-banking transaction volume amounted to RMB679.82 trillion and the number of E-banking transactions accounted for 97.7 per cent. of our total transactions, rising by 2.8 percentage points from the previous year.

## **Internet Banking**

We provide Internet banking services through our official website at “[www.icbc.com.cn](http://www.icbc.com.cn)” to a wide range of customers. We also provide large corporate, governmental and financial institution customers with specialised products and services.

We have further enriched our Internet banking product lines. Innovative products, including a simplified version of personal Internet banking, electronic lottery and corporate B2B settlement-backed electronic bills, were launched to solidify our core competitive edge in Internet banking. A series of marketing activities such as “Banking @ Home, My Environment Contribution” were carried out to effectively increase the number of transactions via electronic channels regarding remittance, fund, wealth management, precious metals and our other businesses. We were awarded the ““Best Internet Trade Finance Bank” by *China Banking Association*, “Best Personal Online Banking Award” by *China Financial Certification Authority*, “Top Ten Innovative Institutions in Internet-based Finance” by *The Chinese Banker*, “Best Internet Financing Bank of the Year” by *Ifeng.com*, “User’s Favorite Brand Best Internet Finance Bank of the Year” by *Caijing.com*, “E-Banking Innovation Award” by *China Internet Banking Union* and “China FinTech Product Innovation Award — Open Online Banking” by *FinTech Entrepreneurship Innovation Program* in 2017 and the “Top 10 Internet-based Finance Innovation Award — ICBC Mobile” by *The Chinese Banker* in 2016, 2017 and 2018.

### ***Telephone Banking***

We provide telephone banking service 24 hours per day and 365 days per year through “95588”, accessible in all areas of the PRC, and “21895588”, accessible in Hong Kong.

We optimised the self-service menu of telephone banking and set up an information management platform for customer service centres, shaping a management system with a full range of functions and intelligent services. We also upgraded the self-service voice service of telephone banking, strengthened inter-channel development and customer diversion from staff service to self-service voice service, and enhanced the value creation capacity of telephone banking. Furthermore, we expanded customer service channels, as well as offered more convenient and efficient services.

### ***Mobile Banking***

We continuously enrich business features of mobile banking, for example, launching a credit card mobile application service, enabling remittance to any mobile phone number and other distinctive services. We created a number of features in our mobile application to satisfy our customers’ needs in particular real-life scenarios such as car rental and medical care. We also upgraded the safety of mobile banking products, optimised user interactive interface and improved customer experience. As at 31 December 2018, the number of registered users of our mobile banking platform “ICBC Mobile” reached 313 million.

### ***Self-service Banking***

We intensified our efforts in improving our self-service banking, achieving initial results in intelligent service. Emerging areas include the commodity trading market and the extension of service channels to key countries. We optimised the transaction process of self-service terminals and increased the amount of personal insurance sales by new agents. As at 31 December 2018, we owned 26,786 self-service banking outlets and 89,646 ATMs. The volume of ATM transactions in 2018 amounted to RMB10,452.2 billion, up by 2.8 per cent. from the year ended 31 December 2017.

## **INTERNET-BASED FINANCE**

We improved our Internet-based services, and built a comprehensive Internet-based financial service and operational system, integrating the five major functions of fundraising, finance, trade, commerce and information.

### **Email Platform**

Targeting well-known merchants, commodities and stores, we officially launched the B2C e-mall platform integrating online shopping and consumer credit, which gathered brand products under direct sales relating to finance, digital home appliance, automobile, clothing and shoes, food and beverage, jewellery and other sectors. We also researched and developed the B2B e-mall platform targeting corporate customers, offering supply chain, specialised wholesale and other market modes. Caizhi Trade Link products were launched to provide financial service solutions integrating accounts, payment and financing for the B2B electronic trading market.

### **Social Networking Platform**

We formally launched the social networking platform and mobile financial information service platform to set up social circles between customers, customer managers, online customer service and institutions inside and outside us. It renders intelligent and convenient services for customers through voice, text, picture and video, forming a uniform platform for financial services and social communication.

### **Direct Banking Platform**

We built an open-ended direct banking platform to better attract, obtain and serve customers through the Internet. It includes electronic account opening, deposit taking, investment, transaction and other core functions, providing all-in-one online financial services for customers.

### **Payment Product Line**

We introduced the online point-of-sale cashier product, with which merchants could accept domestic and overseas bank cards. We also launched the open-ended multi-channel general payment platform and added new payment channels via mobile banking and an open-ended website to support bill payment for customers of other banks. ICBC e-Payment products were upgraded to facilitate small-value payments on the Internet.

### **Financing Product Line**

We improved our Easy Loan products. Customers may apply for loans through Internet banking, mobile banking, SMS banking and other channels during or after purchase. Loans are reviewed and approved automatically by the system and loan funds can be transferred to customers' accounts in real-time. The self-service pledged loan platform of personal Internet banking is equipped with a new feature regarding partial pledge of wealth management products, paper precious metals and book-entry treasury bonds. Mobile banking was also added as a new channel for handling pledged loans.

### **Investment and Financing Product Line**

We launched the transaction terminal ICBC e-Investment, which integrates express delivery of market information, professional analysis, in-depth information, efficient transaction and other functions to satisfy our customers' investment needs for paper precious metals, paper crude oil, franchise foreign exchange, paper agricultural products and others.

### **Online and Offline Integration**

We explored online-to-offline business modes and integrated online and offline channels to provide integrated services for customers whenever and wherever possible. E-banking account and authentication systems were integrated to establish a unified customer-oriented electronic authentication system. Moreover, we strengthened collaboration of our online and offline services and introduced the foreign currency online appointment and offline cash withdrawal service.

## **INTERNATIONAL OPERATIONS AND DIVERSIFIED OPERATIONS**

In 2018, we established new branches in Zurich and Manila and opened a representative office in Ho Chi Minh City. During 2018, ICBC (Almaty) also opened a representative office Astana. Our wholly-owned subsidiary in Austria, ICBC (Austria), was also granted a licence to perform banking business following a decision of the European Central Bank. We continued to advance the cross-border RMB business during 2018, with RMB business volume reaching RMB4.60 trillion. We also extended credit to 83 "Going Global" and "Belt and Road" projects, totalling USD19.1 billion of loans extended.

As at 31 December 2018, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were U.S.\$384,304 million, an increase of U.S.\$25,707 million or 7.2 per cent. as compared to 31 December 2017. Total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank also accounted for 9.5 per cent. of the Group's total assets as at 31 December 2018, an increase of 0.5 percentage points as compared to 31 December 2017. Profit before tax during the year ended 31 December 2018 amounted to U.S.\$4,115 million, representing an increase of U.S.\$197 million or 5.0 per cent. as compared to the year ended 31 December 2017. Profit before tax of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the



Bank also accounted for 7.6 per cent. of the Group's profit before tax, an increase of 0.6 percentage points as compared to the year ended 31 December 2017. Finally, as at 31 December 2018, total loans of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank amounted to U.S.\$207,591 million, and total deposits were U.S.\$130,964 million, with the latter increasing by U.S.\$7,867 million or 6.4 per cent. as compared to 31 December 2017.

### Major Indicators for our Overseas Institutions

The following table set forth, as at the dates and for the periods indicated, the distribution of the total assets, profit before tax and total number of institutions of our international operations by geographic area.

	Assets		Profit before tax		Number of institutions	
	As at 31 December		Year ended 31 December		As at 31 December	
	2017	2018	2017	2018	2017	2018
	<i>(in U.S.\$ millions)</i>					
Hong Kong and Macau .....	178,045	182,777	1,850	2,017	106	104
Asia-Pacific region (except Hong Kong and Macau) .....	84,346	98,766	783	1,025	89	91
Europe .....	69,933	76,127	273	134	81	81
America .....	66,745	56,948	586	553	142	149
African Representative Office .....	-	-	-	-	1	1
Eliminations .....	(44,757)	(34,100)				
<b>Subtotal</b> .....	<b>354,312</b>	<b>380,518</b>	<b>3,492</b>	<b>3,729</b>	<b>419</b>	<b>426</b>
Investment in Standard Bank <sup>(1)</sup> .....	4,285	3,786	426	386		
<b>Total</b> .....	<b>358,597</b>	<b>380,304</b>	<b>3,918</b>	<b>4,115</b>	<b>419</b>	<b>426</b>

Note:

- (1) The assets represent the balance of our investment in Standard Bank Group Limited, and profit before tax represents our gain on investment that we recognised during the period.

## CONTROLLED SUBSIDIARIES AND MAJOR EQUITY PARTICIPATING COMPANY

### Overseas Subsidiaries

#### **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED ("ICBC (Asia)")**

ICBC (Asia) is our wholly owned Hong Kong registered bank and has an issued share capital of HK\$36,379 million. It provides comprehensive commercial banking services and its major businesses include commercial credit, trade finance, investment service, retail banking, E-banking, custody, credit card, receiving bank services for IPOs and dividend distribution. As at 31 December 2018, ICBC (Asia) recorded total assets of U.S.\$114,258 million and net assets of U.S.\$14,982 million. It generated a net profit of U.S.\$1,057 million during the year ended 31 December 2018.

See "Recent Developments – Other Recent Developments – Investment in ICBC Asia" for further information.

#### **ICBC INTERNATIONAL HOLDINGS LIMITED ("ICBC International")**

ICBC International, a licensed integrated platform for financial services in Hong Kong that is wholly owned by us, has a paid-up capital of HK\$4,882 million. It mainly renders a variety of investment services, including corporate finance, investment management, sales and trading, and asset management. As at 31 December 2018,

ICBC International recorded total assets of U.S.\$8,175 million and net assets of U.S.\$1,112 million. It generated a net profit of U.S.\$196 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED (“ICBC (Macau)”)***

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which we hold an 89.33 per cent. stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. As at 31 December 2018, ICBC (Macau) recorded total assets of U.S.\$38,517 million and net assets of U.S.\$2,837 million. It generated a net profit of U.S.\$315 million during the year ended 31 December 2018.

***PT. BANK ICBC INDONESIA (“ICBC (Indonesia)”)***

ICBC (Indonesia) is a fully-licensed commercial banking subsidiary registered in Indonesia, with a paid-up capital of IDR3.69 trillion, of which we hold a 98.61 per cent. stake. ICBC (Indonesia) mainly specialises in financial services such as deposit, loan and trade finance, settlement, agency services, inter-bank borrowing and lending and foreign exchange. As at 31 December 2018, ICBC (Indonesia) recorded total assets of U.S.\$3,714 million and net assets of U.S.\$370 million. It generated a net profit of U.S.\$27.69 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (“ICBC (Malaysia)”)***

ICBC (Malaysia) is our wholly owned subsidiary established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. As at 31 December 2018, ICBC (Malaysia) recorded total assets of U.S.\$1,162 million and net assets of U.S.\$266 million. It generated a net profit of U.S.\$18.96 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED (“ICBC (Thai)”)***

ICBC (Thai), our subsidiary in Thailand, has a share capital of THB20,132 million, of which we hold a 97.86 per cent. stake. ICBC (Thai) holds a comprehensive banking licence and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. As at 31 December 2018, ICBC (Thai) recorded total assets of U.S.\$7,019 million and net assets of U.S.\$893 million. It generated a net profit of U.S.\$58.94 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY (“ICBC (Almaty)”)***

ICBC (Almaty), our wholly owned subsidiary, was incorporated in Kazakhstan with a share capital of KZT8,933 million. The primary commercial banking services it engages in include deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, E-banking and bank card. As at 31 December 2018, ICBC (Almaty) recorded total assets of U.S.\$429 million and net assets of U.S.\$61 million. It generated a net profit of U.S.\$11.39 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED (“ICBC (New Zealand)”)***

ICBC (New Zealand) is our wholly owned subsidiary with a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. As at 31 December 2018, it recorded total assets of U.S.\$1,432 million and net assets of U.S.\$157 million. It generated a net profit of U.S.\$1.7 thousand during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A. (“ICBC (Europe)”)***

ICBC (Europe), our wholly owned subsidiary, was incorporated in Luxembourg with a paid-up capital of EUR437 million. It has several institutions including Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch and Warsaw Branch, which mainly offer financial services including loan, trade finance, settlement, treasury, investment banking, custody, and franchise wealth management. As at 31 December 2018, ICBC (Europe) recorded total assets of U.S.\$7,851 million and net assets of U.S.\$729 million. It generated a net profit of U.S.\$8.71 million during the year ended 31 December 2018.

***ICBC (LONDON) PLC (“ICBC (London)”)***

ICBC (London), our wholly owned subsidiary, was incorporated in the United Kingdom with a paid-up capital of U.S.\$200 million. It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, agency, foreign exchange trading and retail banking services. As at 31 December 2018, ICBC (London) recorded total assets of U.S.\$2,378 million and net assets of U.S.\$423 million. It generated a net profit of U.S.\$25.42 million during the year ended 31 December 2018.

***ICBC STANDARD BANK PLC (“ICBC Standard Bank”)***

ICBC Standard Bank, our subsidiary in the United Kingdom, has an issued share capital of U.S.\$1,083 million, in which we hold a 60 per cent. stake directly. ICBC Standard Bank mainly engages in global commodity trading businesses such as base metals, precious metals, energy and bulk commodities. It also provides global financial markets services such as exchange rate, interest rate, unsecured products and equities. As at 31 December 2018, ICBC Standard Bank recorded total assets of U.S.\$24,575 million and net assets of U.S.\$1,258 million.

***BANK ICBC (JOINT STOCK COMPANY) (“Bank ICBC (JSC)”)***

Bank ICBC (JSC), our wholly owned subsidiary, was incorporated in Russia with a share capital of RUB10.81 billion. It provides a full range of corporate and personal banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consultation. As at 31 December 2018, Bank ICBC (JSC) recorded total assets of U.S.\$929 million and net assets of U.S.\$175 million. It generated a net profit of U.S.\$11.00 million during the year ended 31 December 2018.

***ICBC TURKEY BANK ANONIM ŞİRKETİ (“ICBC (Turkey)”)***

ICBC (Turkey), our controlled subsidiary in Turkey, has a share capital of TRY860 million, in which we hold a 92.84 per cent. stake. With licenses for commercial banking, investment banking and asset management, ICBC (Turkey) provides corporate customers with integrated financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory services, securities brokerage and asset management. At the same time, it provides personal customers with financial services such as deposit, personal consumption loan, residential mortgages, credit card and E-banking. As at 31 December 2018, ICBC (Turkey) recorded total assets of U.S.\$3,011 million and net assets of U.S.\$228 million. It generated a net profit of U.S.\$15.63 million during the year.

***ICBC AUSTRIA BANK GmbH***

ICBC (Austria), a wholly-controlled subsidiary of the Bank in Austria, has a share capital of EUR100 million. It was licensed by the European Central Bank in August 2018 and completed its registration in November 2018. ICBC (Austria) provides financial services such as corporate deposits, loans, trade finance, international settlement, cash management, cross-border RMB business, foreign exchange transactions, and financial advisory for cross-border investment and financing. As at 31 December 2018, ICBC (Austria) recorded total assets of U.S.\$114 million and net assets of U.S.\$114 million.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA (“ICBC (USA)”)***

ICBC (USA), our controlled subsidiary in the United States, has a paid-up capital of U.S.\$369 million, of which we hold an 80 per cent. stake. Holding a fully-functional commercial banking licence registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and consumer retail banking products and services including deposits, loans, settlement and remittance services, trade finance, cross-border settlement, cash management, internet banking and bank card services. As at 31 December 2018, ICBC (USA) recorded total assets of U.S.\$2,893 million and net assets of U.S.\$418 million. It generated a net profit of U.S.\$25.15 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC (“ICBCFS”)***

ICBCFS, our wholly owned subsidiary in the United States, has a paid-up capital of U.S.\$50 million. With a focus on securities clearing business in Europe and America, ICBCFS offers institutional customers securities brokerage services such as securities clearing, clearing and financing. As at 31 December 2018, ICBCFS recorded total assets of U.S.\$27,142 million and net assets of U.S.\$132 million. It suffered a net loss of U.S.\$21.68 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA) (“ICBC (Canada)”)***

ICBC (Canada) is our subsidiary in Canada with a paid-up capital of CAD158.00 million, of which we hold an 80 per cent. stake. Holding a full-functional commercial banking licence, ICBC (Canada) provides various corporate and retail banking services such as deposit, loan, settlement, remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing consultation. As at 31 December 2018, ICBC (Canada) recorded total assets of U.S.\$1,445 million and net assets of U.S.\$202 million. It generated a net profit of U.S.\$20.73 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A. (“ICBC (Mexico)”)***

ICBC (Mexico), our wholly owned subsidiary in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking licence, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. It started business in June 2016. As at 31 December 2018, ICBC (Mexico) recorded total assets of U.S.\$286 million and net assets of U.S.\$71 million. It generated a net profit of U.S.\$30,000 during the year.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A. (“ICBC (Brasil)”)***

ICBC (Brasil), our wholly-owned subsidiary in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. As at 31 December 2018, ICBC (Brasil) recorded total assets of U.S.\$384 million and net assets of U.S.\$56 million. It generated a net profit of U.S.\$0.20 million during the year ended 31 December 2018.

***ICBC PERU BANK (“ICBC (Peru)”)***

ICBC (Peru), our wholly owned subsidiary in Peru, has a paid-up capital of U.S.\$100 million. Holding a full-functional commercial banking licence, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading and E-banking. As at 31 December 2018, ICBC (Peru) had total assets of U.S.\$291 million and net assets of U.S.\$75 million. It suffered a net loss of U.S.\$1.09 million during the year ended 31 December 2018.

***INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A. (“ICBC (Argentina)”)***

ICBC (Argentina), our controlled subsidiary in Argentina, has a paid-up capital of ARS1,345 million, of which we hold an 80 per cent. stake. With a full-functional commercial banking licence, ICBC (Argentina) provides

a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card and asset management. As at 31 December 2018, ICBC (Argentina) recorded total assets of U.S.\$4,785 million and net assets of U.S.\$424 million. It generated a net profit of U.S.\$138 million during the year ended 31 December 2018.

### **Major Domestic Subsidiaries**

#### ***ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD. (“ICBC Credit Suisse Asset Management”)***

ICBC Credit Suisse Asset Management, our subsidiary, has a paid-up capital of RMB200 million, of which we hold an 80 per cent. stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by the China Securities Regulatory Commission (the “CSRC”), and owns many business qualifications including public fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, Renminbi Qualified Foreign Institutional Investor, insurance asset management, special asset management, occupational annuity and manager of basic pension insurance investment. It is one of the fund companies with “full qualification” in the industry. At 31 December 2018, ICBC Credit Suisse Asset Management managed a total of 122 mutual funds and more than 520 enterprise annuity accounts and segregated management accounts as well as unlisted asset portfolios, and its total assets under management amounted to RMB1.31 trillion. As at 31 December 2018, it recorded total assets of RMB9,103 million and net assets of RMB7,801 million. It generated a net profit of RMB1,496 million during the year ended 31 December 2018.

#### ***ICBC FINANCIAL LEASING CO., LTD. (“ICBC Leasing”)***

ICBC Leasing, our wholly owned subsidiary, has a paid-up capital of RMB18.0 billion. It mainly engages in financial leasing of large-scale equipment in key fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing and provides a variety of financial and industrial services including retail assignment, investment funds, securitisation of investment assets, assets transactions and management.. As at 31 December 2018, ICBC Leasing recorded total assets of RMB271,504 million and net assets of RMB32,572 million. It generated a net profit of RMB3,215 million during the year ended 31 December 2018.

#### ***ICBC-AXA ASSURANCE CO., LTD. (“ICBC-AXA”)***

ICBC-AXA, a subsidiary in which we hold a 60 per cent. stake, has a paid-up capital of RMB12,505 million. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State and other businesses approved by the China Insurance Regulatory Commission. As at 31 December 2018, it recorded total assets of RMB119,041 million and net assets of RMB13,468 million. It generated a net profit of RMB94 million during the year ended 31 December 2018.

#### ***ICBC FINANCIAL ASSET INVESTMENT CO., LIMITED (“ICBC Investment”)***

With a paid-in capital of RMB12.0 billion, ICBC Investment is our wholly-owned subsidiary and one of the first pilot banks in China authorised by the State Council to conduct debt-for-equity swap. It holds the franchise licence of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. In 2018, ICBC Investment became the first licensed private equity fund manager to carry out a debt-for-equity swap, and it established a private equity fund management subsidiary – ICBC Capital Management Co., Ltd. As at 31 December 2018, ICBC Investment recorded total assets of RMB43,307 million and net assets of RMB13,065 million. It generated a net profit of RMB550 million during the year ended 31 December 2018.

## Majority Equity Participation Company

### **STANDARD BANK GROUP LIMITED**

Standard Bank Group Limited is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. We hold 20.08 per cent. of the ordinary shares of Standard Bank Group Limited, and maintain frequent strategic cooperation and exchange with it. As at 31 December 2018, Standard Bank Group Limited recorded total assets of ZAR2,126,962 million and net assets of ZAR199,063 million. It generated a net profit of ZAR27,453 million during the year ended 31 December 2018.


### **IT-BASED BANKING DEVELOPMENT**

We continued to improve the “big data” basis for IT-based banking development, input data of financial market, e-commerce platform and comprehensive subsidiaries as data warehouse, and incorporated personal Internet banking logs and other unstructured data into the Group’s database. We strengthened data analysis mining and application in terms of e-commerce, risk management, precision marketing and product classification. We integrated business handling process, continued to improve consolidation of customer information and optimised our customer-oriented marketing assessment system. We also improved our financial asset service system and implemented full-process management on asset investment and operation. Furthermore, we advanced the system building in our international and diversified operations, and accomplished comprehensive business system development in ICBC-AXA, ICBC Credit Suisse Investment Management and other subsidiaries.

Our information system maintained stable and secure operation. We have acquired the capability to switch our city-wide host systems in two technical parks within several minutes, and transformed from traditional disaster recovery mode to dual-centre parallel mode to ensure the around-the-clock operation of our global business. We continued to build the group-wide daily administrative mechanism on information security and conducted tiered authorisation and information protection. We reformed the financial IC card, mobile payment and other application systems, enhanced our controllability on information security protection and reinforced security protection measures for customer service system. In 2018, we obtained 43 new patents from the State Intellectual Property Office (the “SIPO”), and the total number of patents that we owned increased to 549 as at the end of 2018.

### **INTELLECTUAL PROPERTY RIGHTS**

The Bank had six scientific and technological achievements that won the Technological Development Award of PBC, of which, the “three centers in two cities” project won the outstanding award as the only project to be so honored in the 2016 Technological Development Award. The Bank became the only commercial bank rated 2A by the information technology supervision of CBIRC for five consecutive years. We are also the registered owner of the domain names of our websites such as “www.icbc.com.cn”, “www.icbc.com.hk” and “www.icbc.asia”. The trademark

“ICBC ” (individually and collectively with our Chinese and/or English name), for which we have the copyright, has been widely used on our signboards, badges, publicity materials and internal documents. See also “—IT-Based Banking Development” above.

### **HUMAN RESOURCES MANAGEMENT**

At the end of 2018, we had 449,296 employees worldwide (excluding labour dispatched for services), representing a decrease of 3,752 employees compared with the number as of the end of 2017. Of our employees,

6,660 were employed by our major domestic subsidiaries and 15,687 were employed by our overseas institutions.

Based on our bank-wide information-based, internationalised and diversified development strategy, we adhered to the concept of humanity, service collaboration and scientific management, and continued to strive for innovation in our human resources management philosophy and methods as well as system and mechanism. We strengthened our human resources system, continued corporate officer structure reform and optimised corporate rank titles. We improved remuneration incentive mechanism and expanded the career development platform for our employees. We enhanced our human resources allocation and improved the supporting mechanism for selection, utilisation, cultivation and preservation of talents. We carried forward the institutional reform and in-depth human resources management project.

Focusing on employee training and qualification authentication system, we enhanced professional competence of our employees. We reinforced training innovation, carried out the “study+practice” dualistic training mode and the training evaluation and feedback mechanism of “compulsory examination for each training course”, built the knowledge sharing platform and pushed information to front-line staff on a real-time basis. We set up the “ICBC College” website on the intranet, explored to launch ICBC mobile learning, and organised “bank-wide reading” series activities, providing diversified and multi-channel learning path for our employees. In 2018, we organised approximately 45,000 training sessions for approximately 5.24 million persons, with an average of 9.9 days per person.

We intensified the dissemination of corporate culture inside and outside of the Group. We also organised the fourth “Touching ICBC” selection activity to inspire staff and gather our strengths. We carried out activities themed “Year for Developing a Bank of People’s Satisfaction” and led staff to set up the customer first service concept, enhancing customer satisfaction of the whole bank. Through the column of “President talks about culture” on the Internal Information Net, we established an experience sharing platform on cultural development for administrative staff at various levels. It reinforced publicity and cultural exchange, and made special coverage on “Enterprise Spirit, Gathering Strength” at *China Economic Net*. In addition, we strengthened compliance culture development and blended such culture into staff compliance education.

## LEGAL AND REGULATORY PROCEEDINGS

We are involved in legal proceedings in the ordinary course of our business. Most of the legal proceedings were initiated by us for recovering NPLs, while some legal proceedings arose from customer disputes. As at 31 December 2018, the aggregate amount of pending legal proceedings in which we acted as defendant was RMB4,154 million, accounting for around 0.01 per cent. of our total assets as at the same date. We do not expect any material adverse effect from these pending legal proceedings on our business, financial position and results of operations.

We strictly comply with applicable anti-money laundering and anti-terrorism laws and other regulations in the PRC, Hong Kong, Singapore and other jurisdictions where we have operations. We actively fulfil our obligations and responsibilities in terms of anti-money laundering by coordinating the establishment of anti-money laundering policies and systems, including a specialist team. We have carried out customer identification, large amount and suspicious transaction reporting, money laundering risk assessment, anti-money laundering training and audits, which have improved the anti-money laundering and anti-terrorist financing compliance capabilities of the Group. Save as disclosed under “*Risk Factors – Other Risks Relating to Our Business – We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities*”, we are not currently aware of any money laundering or terrorist financing activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations.

## RECENT DEVELOPMENTS

### Announcement of our unaudited consolidated financial results as at and for the three months ended 31 March 2019

On 29 April 2019, we announced our unaudited consolidated financial results as at and for the three months ended 31 March 2019. On 1 January 2019, the Bank adopted IFRS 16 - Leases (“IFRS 16”). The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 and recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019. The consolidated financial statements of the Bank for the year ended 31 December 2018 and the unaudited consolidated financial results for the three months ended 31 March 2018 (in each case as presented and/or incorporated by reference in this Offering Circular) do not reflect the impact of adoption of this new standard. We also reported additional financial and operating indicators. The following table sets forth, for the periods indicated, our consolidated income statement.

	For the three months ended 31 March	
	2018	2019
	<i>(in RMB millions)</i>	
Interest income .....	225,637	249,277
Interest expense .....	(88,625)	(101,087)
<b>Net interest income</b> .....	<b>137,012</b>	<b>148,190</b>
Fee and commission income .....	45,664	50,237
Fee and commission expense .....	(4,051)	(4,101)
<b>Net fee and commission income</b> .....	<b>41,613</b>	<b>46,136</b>
Net trading income .....	1,044	5,171
Net (loss)/gain on financial investments .....	990	(2,188)
Other operating income, net .....	2,526	4,509
<b>Operating income</b> .....	<b>183,185</b>	<b>201,818</b>
Operating expenses .....	(39,998)	(40,614)
Impairment losses on assets .....	(42,258)	(58,274)
<b>Operating profit</b> .....	<b>100,929</b>	<b>102,930</b>
Share of profits of associates and joint ventures .....	717	637
<b>Profit before taxation</b> .....	<b>101,646</b>	<b>103,567</b>
Income tax expense .....	(22,577)	(20,877)
<b>Profit for the period</b> .....	<b>79,069</b>	<b>82,690</b>
Attributable to equity holders of the parent company .....	78,802	82,005
Attributable to non-controlling interests .....	267	685



The following table sets forth, as at the dates indicated, our consolidated statement of financial position.

	<b>As at 31 December 2018</b>	<b>As at 31 March 2019</b>
	<i>(in RMB millions)</i>	
<b>Assets</b>		
Cash and balances with central banks .....	3,372,576	3,597,485
Due from banks and other financial institutions .....	962,449	1,061,284
Derivative financial assets.....	71,335	73,083
Reverse repurchase agreements .....	734,049	883,692
Loans and advances to customers .....	15,046,132	15,529,602
Financial investments.....	6,754,692	7,121,616
Financial investments measured at fair value through profit or loss.....	805,347	929,822
Financial investments measured at fair value through other comprehensive income .....	1,430,163	1,458,592
Financial investments measured at amortised cost .....	4,519,182	4,733,202
Investments in associates and joint ventures .....	29,124	28,122
Property and equipment .....	290,404	289,532
Deferred income tax assets.....	58,375	59,077
Other assets .....	380,404	603,079
<b>Total assets</b> .....	<u>27,699,540</u>	<u>29,246,572</u>
<b>Liabilities</b>		
Due to central banks.....	481	465
Financial liabilities designated as at fair value through profit or loss .....	87,400	95,016
Derivative financial liabilities .....	73,573	71,444
Due to banks and other financial institutions .....	1,814,495	2,026,260
Repurchase agreements.....	514,801	297,669
Certificates of deposit .....	341,354	342,559
Due to customers.....	21,408,934	22,574,651
Income tax payable .....	84,741	86,727
Deferred income tax liabilities .....	1,217	1,674
Debt securities issued.....	617,842	693,186
Other liabilities.....	409,819	627,968
<b>Total liabilities</b> .....	<u>25,354,657</u>	<u>26,817,619</u>
<b>Total equity</b> .....	<u>2,344,883</u>	<u>2,428,953</u>
<b>Total equity and liabilities</b> .....	<u>27,699,540</u>	<u>29,246,572</u>

The following table sets forth, for the periods indicated, selected items from our consolidated statement of cash flows.

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>(in RMB millions)</i>	
Net cash flows from operating activities .....	62,160	1,044,774
Net cash flows from investing activities .....	(95,594)	(311,311)
Net cash flows from financing activities .....	1,054	75,528
Net increase in cash and cash equivalents .....	(32,380)	808,991
Cash and cash equivalents at beginning of the period .....	1,520,330	1,509,524
Effect of exchange rate changes on cash and cash equivalents .....	(25,180)	(18,347)
Cash and cash equivalents at end of the period .....	1,462,770	2,300,168

The following tables set forth a summary of our key financial and operating indicators for the periods or as at the dates indicated.

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	<b>2019</b>
<b>Profitability indicators</b>		
Return on average total assets <sup>(1)(2)</sup> .....	1.20%	1.16%
Net Interest Margin <sup>(2)(4)</sup> .....	2.30%	2.31%
Return on weighted average equity <sup>(2)(3)</sup> .....	15.40%	14.35%
Cost-to-income ratio <sup>(5)</sup> .....	20.73%	19.21%

	As at 31 December 2018	As at 31 March 2019
	<i>(in RMB millions, except percentages)</i>	
<b>Asset quality indicators</b>		
NPLs .....	235,084	240,282
NPL ratio <sup>(6)</sup> .....	1.52%	1.51%
Allowance to NPLs <sup>(7)</sup> .....	175.76%	185.85%

As at 31 December 2018	As at 31 March 2019
<i>(in RMB millions, except percentages)</i>	
As at 31 December 2018	As at 31 March 2019
<i>(in RMB millions, except percentages)</i>	

### Capital adequacy indicators

#### Calculated in accordance with the Capital Regulation:

Net Core Tier 1 Capital .....	2,232,033	2,315,454
Net Tier 1 Capital .....	2,312,143	2,395,508
Net Capital Base .....	2,644,885	2,792,790
Core Tier 1 Capital Adequacy Ratio <sup>(8)</sup> .....	12.98%	12.84%
Tier 1 Capital Adequacy Ratio <sup>(8)</sup> .....	13.45%	13.28%
Capital Adequacy Ratio <sup>(8)</sup> .....	15.39%	15.49%
Leverage Ratio .....	7.79%	7.62%

#### Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations promulgated by the former China Banking Regulatory Commission:

Core Capital Adequacy Ratio .....	11.54%	12.84%
Capital Adequacy Ratio .....	14.11%	15.49%

#### Notes:

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.
- (2) On an annualised basis.
- (3) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.
- (6) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (7) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (8) Data as at 31 December 2018 and as at 31 March 2019 were calculated in accordance with the Capital Regulation.

Net profit amounted to RMB82,690 million for the three months ended 31 March 2019, representing an increase of 4.58 per cent. compared with the same period the previous year. Annualised return on average total assets

and annualised return on weighted average equity were 1.16 per cent. and 14.35 per cent., respectively, for the three months ended 31 March 2019.

Operating income amounted to RMB201,818 million for the three months ended 31 March 2019, representing an increase of 10.17 per cent. compared with the same period in the previous year. Net interest income was RMB148,190 million for the three months ended 31 March 2019, representing an increase of 8.16 per cent. compared with the same period in the previous year. Annualised net interest margin rose by 0.01 percentage points to 2.31 per cent. compared with the same period in the previous year. Non-interest income was RMB53,628 million, representing an increase of 16.15 per cent. compared with the same period in the previous year. Specifically, net fee and commission income was RMB46,136 million for the three months ended 31 March 2019, representing an increase of 10.87 per cent. compared with the same period in the previous year. Operating expenses (exclusive of taxes and surcharges) were RMB38,762 million for the three months ended 31 March 2019, representing an increase of 2.05 per cent. compared with the same period in the previous year. Cost-to-income ratio was 19.21 per cent. for the three months 31 March 2019.

As at 31 March 2019, total assets amounted to RMB29,246,572 million, representing an increase of RMB1,547,032 million, or 5.59 per cent., over the end of the previous year. Total loans and advances to customers amounted to RMB15,932,402 million as at 31 March 2019, representing an increase of RMB512,497 million, or 3.32 per cent., since 31 December 2018, of which RMB loans of domestic branches grew by RMB492,114 million, or 3.62 per cent., since 31 December 2018. In terms of the structure of loans and advances to customers, as at 31 March 2019, corporate loans were RMB9,770,646 million, personal loans were RMB5,822,596 million and discounted bills were RMB339,160 million. Investment was RMB7,121,616 million, representing an increase of RMB366,924 million, or 5.43 per cent., since 31 December 2018.

Total liabilities amounted to RMB26,817,619 million as at 31 March 2019, representing an increase of RMB1,462,962 million, or 5.77 per cent., over the end of the previous year. Due to customers amounted to RMB22,574,651 million as at 31 March 2019, representing an increase of RMB1,165,717 million, or 5.45 per cent., since 31 December 2018. In terms of the structure of deposits, as at 31 March 2019, time deposits were RMB11,326,649 million, demand deposits were RMB10,796,723 million and others were RMB228,975 million.

Shareholders' equity amounted to RMB2,428,953 million as at 31 March 2019, representing an increase of RMB84,070 million, or 3.59 per cent., since 31 December 2018.

According to the five-category classification of loans, the balance of NPLs amounted to RMB240,282 million as at 31 March 2019, representing an increase of RMB5,198 million since 31 December 2018. The NPL ratio was 1.51 per cent. as at 31 March 2019, representing a decrease of 0.01 percentage points, since 31 December 2018. The allowance to NPL ratio stood at 185.85 per cent. as at 31 March 2019, representing an increase of 10.09 percentage points, since 31 December 2018.

As at 31 March 2019, based on the Capital Regulation, the Bank's core tier 1 capital adequacy ratio was 12.84 per cent., its tier 1 capital adequacy ratio was 13.28 per cent. and its capital adequacy ratio was 15.49 per cent., all meeting regulatory requirements.

## **Other Recent Developments**

### ***Investment in National Financing Guarantee Fund***

On 25 July 2018, the Bank announced that the Board had approved the RMB3 billion investment in the National Financing Guarantee Fund Co., Ltd (the "Fund"). The capital injection will be paid by instalments in four years commencing from 2018, with the subscription amounting to 4.5386 per cent. of the Fund's capital. The investment is financed by the Bank's own capital.

The MOF collaborated with 20 institutions to jointly initiate and establish the Fund, which had an initial registered capital of RMB66.1 billion. The Fund is positioned as a quasi-public financial institution with the mission of alleviating the financing difficulties and high financing costs experienced by small and micro enterprises, “agriculture, rural areas, and rural residents” related enterprises and innovative start-ups.

The investment forms part of the Bank’s strategy to serve the real economy and enhance its capacity in providing inclusive finance services.

#### ***Appointment of Directors and Supervisor***

The appointment of Mr. Fred Zulu Hu as Independent Non-executive Director of the Bank was approved at the Shareholders’ Extraordinary General Meeting of the Bank on 21 November 2018. On 4 April 2019, the Bank Announced that the appointment of Mr. Fred Zulu Hu had been approved by the CBIRC and that the appointment was now effective.

On 17 December 2018, the Bank announced that the Board had resolved that Mr. Hu Hao and Mr. Tan Jiong be nominated as candidates for election as Executive Directors of the Bank. The elections of Mr. Hu Hao and Mr. Tan Jiong as Executive Directors of the Bank are subject to the consideration and approval at the Shareholders’ General Meeting of the Bank and the approval of the CBIRC.

On 28 March 2019, the Bank announced that the Board had resolved that Mr. Chen Siqing is nominated as a candidate for the election as Executive Director of the Bank and as Chairman of the Board. The election of Mr. Chen Siqing is subject to the consideration and approval at the Shareholders’ General Meeting of the Bank and the approval of the CBIRC

#### ***Resignations of Senior Officers and Non-executive Director***

On 27 January 2019, the Bank announced that Mr. Yi Huiman had tendered his resignation to the Board, resigning from the position as Chairman of the Board and Executive Director of the Bank.

On 12 April 2019, the Bank announced that Mr. Cheng Fengchao had tendered his resignation to the Board, resigning from the position as Non-Executive Director of the Bank and member of the Audit Committee and Risk Management Committee of the Board.

Mr. Yi Huiman and Mr. Cheng Fengchao have each confirmed that they have no disagreement with the Board and there are no other matters relating to their departure that need to be brought to the attention of the shareholders and creditors of the Bank.

#### ***Establishment of ICBC Wealth Management***

On 26 November 2018, the Bank announced a proposal to invest RMB16 billion towards the establishment of a wholly-owned subsidiary, ICBC Wealth Management Co., Ltd. (“ICBC Wealth Management”). It is intended that ICBC Wealth Management will be engaged in the offer of wealth management products, the investment and management of properties for investors, the private placement of wealth management products to qualified investors and advisory services in relation to asset and wealth management. On 15 February 2019, the CBIRC officially approved the establishment of ICBC Wealth Management.

#### ***Investment in ICBC Asia***

On 11 January 2019, the Bank announced that the Board had approved a U.S.\$1 billion investment into ICBC Asia, a subsidiary of the Bank. The investment will be financed by the Bank’s own capital. The investment forms part of the Bank’s international development strategy and to further promote the market position and competitiveness of the Bank in Hong Kong. See “Description of the Bank - Controlled subsidiaries and major equity participating company - Overseas subsidiaries - Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”)” for further information on ICBC Asia.

### ***Recent Issuances***

Since 31 December 2018, the Bank has issued six tranches of asset securitisation programmes totalling RMB28,425 million in Mainland China in the ordinary course of business.

On 15 January 2019, the Bank's Luxembourg branch issued U.S.\$100,000,000 floating rate notes due 2020 and U.S.\$100,000,000 floating rate notes due 2020.

On 16 January 2019, the Bank's Luxembourg branch issued U.S.\$50,000,000 floating rate notes due 2024.

On 18 January 2019, the Bank's Hong Kong branch issued U.S.\$200,000,000 floating rate notes due 2020 and U.S.\$50,000,000 floating rate notes due 2021.

On 22 January 2019, the Bank's Hong Kong branch issued U.S.\$100,000,000 floating rate notes due 2021.

On 1 February 2019, the Bank's Hong Kong branch issued U.S.\$100,000,000 floating rate notes due 2020.

On 6 March 2019, the Bank's Hong Kong branch issued U.S.\$200,000,000 floating rate notes due 2021.

On 29 March 2019, the Bank's Sydney branch issued AUD500,000,000 floating rate notes due 2022.

On 17 April 2019, the Bank's Sydney branch issued AUD4,660,000 fixed rate notes due 2023.

On 23 April 2019, the Bank's London branch issued GBP200,000,000 floating rate notes due 2022.

On 26 April 2019, the Bank's Singapore Branch issued Green Belt and Road Inter-bank Regular Cooperation Bonds, consisting of U.S.\$900,000,000 floating rate notes due 2022, U.S.\$600,000,00 floating rate notes due 2022, EUR500,000,000 fixed rate notes due 2022 and CNH1,000,000,000 fixed rate notes due 2022.

On 13 May 2019, the Bank's Sydney branch issued AUD986,000,000 fixed rate notes due 2024, AUD2,812,000,000 fixed rate notes due 2024 and AUD2,389,000,000 fixed rate notes due 2024.

On 17 May 2019, the Bank's Singapore branch issued U.S.\$200,000,000 fixed rate notes due 2021.

On 30 May 2019, ICBC International Holdings Limited issued U.S.\$700,000,000 fixed rate notes due 2022.

### ***Proposed Issuance of Preference Shares***

On 30 August 2018, the Bank's Board approved the proposal to issue Preference Shares on the domestic and offshore markets with an aggregate amount of not more than the equivalent of RMB100 billion to replenish the Bank's Additional Tier 1 Capital, among which, the aggregate amount of Preference Shares to be issued in the domestic market either in a single or multiple series would be not more than RMB100 billion, and the aggregate amount of Preference Shares proposed to be issued in the offshore market would be not more than the equivalent of RMB44 billion or its equivalent. The specific issuance amount will be determined within the limits specified above by the Board. The preference share issuance plan was approved by the shareholders at the Shareholders' Extraordinary General Meeting of the Bank on 21 November 2018. On 23 April 2019, the Bank announced that approval from the CBIRC had been granted to the Bank for the preference share issuance plan to issue domestic preference shares in an amount not exceeding RMB70 billion.

### ***Issuance of Tier 2 Capital bonds***

On 25 March 2019, the Bank issued RMB55 billion of Tier 2 Capital bonds, comprising a tranche of RMB45 billion with a fixed interest rate of 4.26 per cent. per annum and a tranche of RMB10 billion with a fixed interest rate of 4.51 per cent. per annum. On 26 April 2019, the Bank issued a further RMB55 billion of Tier 2 Capital bonds, comprising a tranche of RMB45 billion with a fixed interest rate of 4.40 per cent. per annum and a tranche of RMB10 billion with a fixed interest rate of 4.69 per cent. per annum.

***Proposed Issuance of Undated Additional Tier 1 Capital bonds***

On 28 March 2019, the Board of the Bank approved the proposal to issue Undated Additional Tier 1 Capital bonds with the total amount up to RMB80 billion in China's national inter-bank bond market. The proposed issuance will be used to bolster the Bank's additional Tier 1 Capital. The proposal remains subject to the approval of the Bank's shareholders and of the CBIRC.

***Establishment of ICBC Information and Technology Co., Ltd. ("ICBC Technology")***

On 8 May 2019, the Bank established ICBC Information and Technology Co., Ltd. ("ICBC Technology") in Hebei Xiongan New Area with a registered capital of RMB600 million. The investment forms part of the Bank's strategy to integrate its innovation capabilities and promote development of financial technology.

## FUNDING AND CAPITAL ADEQUACY

### FUNDING

The funding operations of the Bank are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. Although customer deposits have always been its main source of funding, the Bank aims to maintain a diversified funding base. Its funding is primarily derived from deposits placed with the Bank by its corporate and personal customers. The Bank also derives funding from shareholders' equity, debt instrument issuance and inter-bank borrowings. The Bank raises foreign currency from customers' foreign currency deposits and occasionally from borrowings with counterparties.

The following table gives a breakdown of the Bank's customer deposits classified by business line, as at the dates indicated:

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
<b>Corporate deposits</b>				
Time deposits.....	4,635,661	23.7%	5,076,005	23.7%
Demand deposits.....	6,069,804	31.0%	6,405,136	29.9%
Subtotal.....	10,705,465	54.7%	11,481,141	53.6%
<b>Personal deposits</b>				
Time deposits.....	4,748,525	24.3%	5,505,236	25.7%
Demand deposits.....	3,820,392	19.5%	3,931,182	18.4%
Subtotal.....	8,568,917	43.8%	9,436,418	44.1%
Other deposits <sup>(1)</sup> .....	288,554	1.5%	268,914	1.3%
Accrued interest.....	—	—	222,461	1.0%
<b>Total .....</b>	<b>19,562,936</b>	<b>100.0%</b>	<b>21,408,934</b>	<b>100.0%</b>

Note:

(1) Includes outward remittance and remittance payables.



The following table gives a breakdown of the Bank's customer deposits (on a consolidated basis) by remaining maturity for the periods indicated:

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Overdue/repayable on demand .....	10,701,914	54.7%	11,578,642	54.1 %
Less than 1 month .....	1,014,915	5.2%	919,716	4.3 %
1 to 3 months .....	1,387,688	7.1%	1,337,250	6.2 %
3 months to 1 year .....	3,895,490	19.9%	4,978,718	23.2 %
1 to 5 years .....	2,549,415	13.0%	2,582,550	12.1 %
More than 5 years .....	13,514	0.1%	12,058	0.1 %
<b>Total</b> .....	<b>19,562,936</b>	<b>100.0%</b>	<b>21,408,934</b>	<b>100.0 %</b>

### Capital Adequacy

The following table sets forth the Bank's core capital and supplementary capital, risk-weighted assets and capital adequacy ratios (on a standalone basis), calculated in accordance with the applicable guidelines of the CBIRC.

	As at 31 December			
	2017		2018	
	Group	Parent Company	Group	Parent Company
	(in RMB millions, except for percentages)			
Item				
Calculated in accordance with the Capital Regulation:				
Net Core Tier 1 Capital.....	2,030,108	1,856,054	2,232,033	2,040,396
Net Tier 1 Capital .....	2,110,060	1,935,429	2,312,143	2,102,348
Net Capital Base .....	2,406,920	2,216,707	2,644,885	2,419,120
Core Tier 1 Capital Adequacy Ratio.....	12.77%	12.88%	12.98%	13.23%
Tier 1 Capital Adequacy Ratio .....	13.27%	13.44%	13.45%	13.63%
Capital Adequacy Ratio .....	15.14%	15.39%	15.39%	15.68%
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:				
Core Capital Adequacy Ratio .....	11.65%	11.96%	11.54%	11.89%
Capital Adequacy Ratio .....	14.56%	14.67%	14.11%	14.34%

As at 31 December 2018, the Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio (in each case, for the Group) calculated by the Bank in accordance with the Capital Regulation stood at 12.98 per cent., 13.45 per cent. and 15.39 per cent., respectively, all complying with regulatory requirements.

In 2018, the Bank further deepened the capital management reform, strengthened capital saving and optimisation, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency and return on capital. On the basis of stabilising the supplementation of endogenous capital such as retained profits, the Bank proactively carried out external capital replenishment to continuously consolidate the bank-wide capital base in order to reinforce its capacity in supporting the real economy. Actively responding to the various national policies and guidance, the Bank focused more on and increased support to areas such as green finance and inclusive finance. Moreover, the Bank coordinated, allocated and utilised various capital resources to satisfy capital supplement requirements of subsidiaries.

The following table sets forth information relating to the Group's capital adequacy as at 31 December 2017 and 2018, calculated in accordance with the Capital Regulation.

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>(in RMB millions, except percentages)</i>	
<b>Core Tier 1 Capital</b> .....	2,044,390	2,247,021
Paid-in capital.....	356,407	356,407
Valid portion of capital reserve.....	151,952	151,968
Surplus reserve.....	232,660	261,636
General reserve.....	264,850	278,980
Retained profits.....	1,096,868	1,205,924
Valid portion of minority interests.....	2,716	3,752
Others.....	(61,063)	(11,646)
<b>Core Tier 1 Capital deductions</b> .....	14,282	14,988
Goodwill.....	8,478	8,820
Other intangible assets other than land use rights.....	1,532	1,927
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet.....	(3,708)	(3,739)
Investment in Core Tier 1 Capital instruments issued by financial institutions that are under control but not subject to consolidation .....	7,980	7,980
<b>Net Core Tier 1 Capital</b> .....	2,030,108	2,232,033
<b>Additional Tier 1 Capital</b> .....	79,952	80,110
Additional Tier 1 Capital instruments and related premium .....	79,375	79,375
Valid portion of monitoring interests .....	577	735
<b>Net Tier 1 Capital</b> .....	2,110,060	2,312,143
<b>Tier 2 Capital</b> .....	297,360	332,742

	As at 31 December	
	2017	2018
	<i>(in RMB millions, except percentages)</i>	
Valid portion of Tier 2 Capital instruments and related premium.....	222,321	202,761
Surplus provision for loan impairment .....	71,736	127,990
Valid portion of minority interests .....	3,303	1,991
<b>Tier 2 Capital deductions</b> .....	<b>500</b>	<b>—</b>
Significant minority investments in Tier 2 Capital instruments issued by financial institutions that are not subject to consolidation.....	500	—
<b>Net capital base</b> .....	<b>2,406,920</b>	<b>2,644,885</b>
<b>Risk-weighted assets<sup>(1)</sup></b> .....	<b>15,902,801</b>	<b>17,190,992</b>
<b>Core Tier 1 Capital Adequacy Ratio</b> .....	<b>12.77%</b>	<b>12.98%</b>
<b>Tier 1 Capital Adequacy Ratio</b> .....	<b>13.27%</b>	<b>13.45%</b>
<b>Capital Adequacy Ratio</b> .....	<b>15.14%</b>	<b>15.39%</b>

Note:

(1) Refers to risk-weighted assets after capital floor and adjustments.

In November 2013, the Bank was added to the list of global systematically important banks (“G-SIBs”) by the Financial Stability Board, an international organisation monitoring and coordinating the world’s financial system. The Bank is in Bucket 1 of G-SIBs, which subject the Bank to a 1 per cent. additional capital requirement. Under Basel III (a global regulatory standard on bank capital adequacy), the leverage ratios of minimum Core Tier 1 Capital and total capital for internationally active banks are 7 per cent. and 10.5 per cent., respectively, and the required ratios for the Bank to become a G-SIB are 8 per cent. and 11.5 per cent., respectively. As at 31 December 2018, the capital adequacy ratios of the Bank (Group) were 12.98 per cent. for Core Tier 1 Capital, 13.45 per cent. for Tier 1 Capital, and 15.39 per cent. for Capital, far above the minimum requirement and leaving high safety margins. Accordingly, the Bank has no need to raise more capital to qualify as a G-SIB.

### Capital Financing Management

The Bank actively carried out external capital replenishment and promoted the issuance of new capital instruments on the basis of achieving replenishment by retained profits. According to its capital planning and capital replenishment plan, in November 2017, the Bank issued two tranches of Tier 2 capital bonds each having an aggregate face value of RMB44.0 billion in China’s national interbank bond market, giving a total issue size of RMB88.0 billion. All funds raised were used to replenish the Tier 2 capital of the Bank as per applicable laws and the approval of the regulator.

### Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital

(RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

In 2017, the Bank further strengthened its economic capital management in terms of measurement, allocation and assessment, improved its economic capital measurement policy and optimised its economic capital measurement standards and system. The Bank strictly implemented the measures for quota management, continuously boosted the refined management of economic capital and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure. It strengthened training on economic capital management for institutions at all levels and vigorously pushed forward operational management and business front-line application of economic capital.

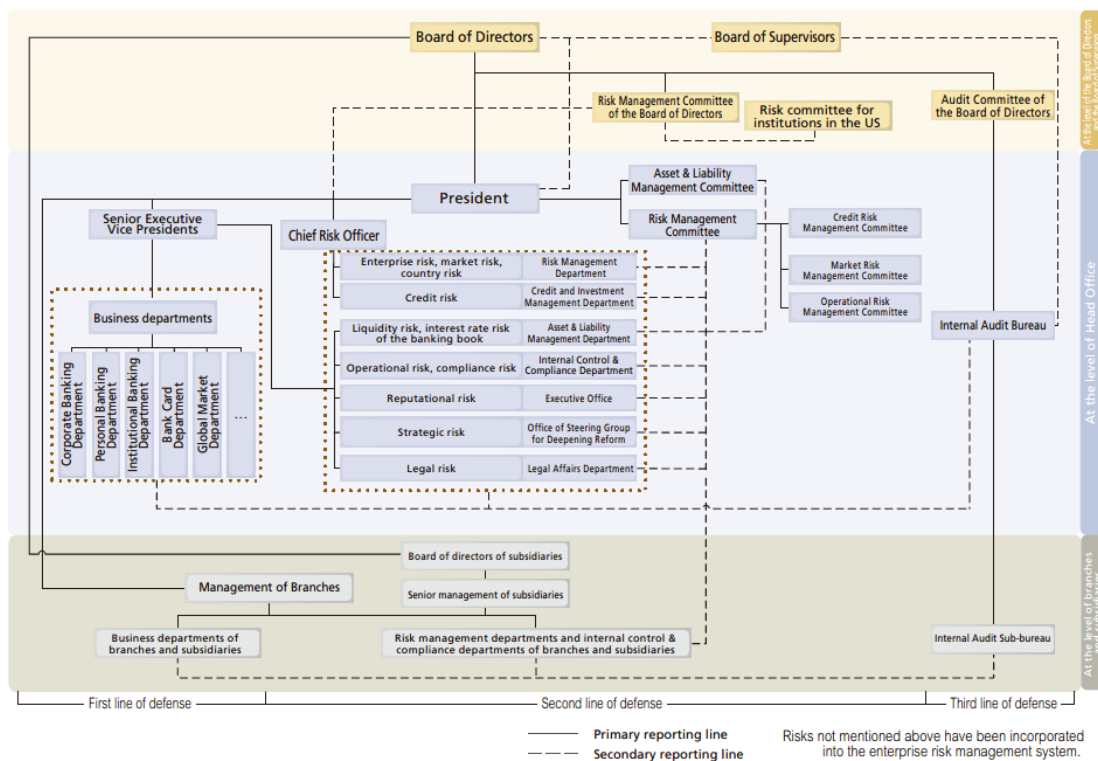
## RISK MANAGEMENT

### ENTERPRISE RISK MANAGEMENT SYSTEM

As a commercial bank, we are subject to a number of risks, primarily including credit risk, market risk, operational risk, liquidity risk and compliance risk. In order to manage these risks, we have established an enterprise risk management system, a process whereby the Board, senior management and other employees perform their respective duties and responsibilities to take effective control of different types of risks at various business levels in order to provide a reasonable guarantee of the achievement of our risk management objectives. Our risk management principles include, among others, the matching of risk with return, internal checks and balances with consideration as to efficiency, risk diversification, quantitative and qualitative analysis, dynamic adaptability adjustments and gradual improvement.

We promote the consistency and standardisation of our risk management policies, processes, models, methods and systems. Our head office guides, manages and controls the business activities of our branches through delegation and credit extension, risk limits and other risk control instruments. Our organisational structure for risk management comprises, among others, the Board and its special committees, our senior management and its special committees, our risk management department and our internal audit department.

Our risk management organisational structure is illustrated below.



The Board is responsible for the establishment and implementation of an effective internal control system for us to ensure that we operate within applicable legal and regulatory frameworks. Our senior management is responsible for implementing risk management strategies formulated by the Board, formulating risk management procedures and processes, managing risks associated with our various business lines and ensuring the various parameters are in line with our risk preference. Our chief risk officer assists our president in overseeing our risk management and making related decisions. The risk management committee of the Board is primarily responsible for reviewing and revising our risk management strategies, policies, procedures and

internal control processes as well as the supervision and evaluation of risk management related work performed by our senior management and risk management departments. We have clarified the responsibilities of the respective risk management departments. In line with our risk management strategy, each of the various business departments, risk management departments, internal control departments and internal audit department performs their respective risk management responsibilities.

## **ACHIEVEMENTS IN RISK MANAGEMENT IN RECENT YEARS**

Since our initial public offering in 2006, we have actively responded to the challenges posed by various uncertain factors and risks by enhancing corporate governance and improving internal control. We have continued to improve our enterprise risk management system, strengthened the overall construction of enterprise risk management policies, developed and completed templates for risk evaluation, gradually established an industry-leading risk information system and built up an enterprise risk management system with unique characteristics, which we continue to improve and refine.

In recent years, we have achieved a series of satisfactory results in risk management. Our achievements can be summarised as “full process, full coverage, new standards and new technologies”. In particular, we have implemented risk management throughout the entire process of risk identification, measurement, control, monitoring, evaluation and reporting covering entities from the Group level to all overseas branches and all business operations.

We have taken the initiative in the PRC in developing and researching methods and systems of measuring various risks pursuant to the new capital regulatory standards and have been maintaining a leading position in the domestic industry. We have established an industry-leading information technology support system with the capability to cover comprehensively the entire risk management process, in order to provide technical support for risk management.

Over the past few years, we have taken the following initiatives to strengthen our risk management systems:

- we further improved the enterprise risk management system, continuously upgraded risk management technologies and methods, enhanced the capacity of risk pre-judgment and dynamic control, so as to make the enterprise risk management more forward-looking and effective;
- by improving the enterprise risk management system, we established a hierarchy risk appetite management system, intensified risk limit management, and enhanced effective reporting according to the latest regulatory requirements;
- we also promoted the implementation of the latest international and domestic regulatory requirements, improved the basic policies for enterprise risk management and better managed related work of G-SIB;
- we strengthened consolidated risk management in the Group, intensified the management of risk limits for non-banking subsidiaries, and organised the risk assessment of the subsidiaries;
- we advanced country risk management by strengthening monitoring analysis, reporting and limit management, and enhanced sovereign risk control capability;
- we reinforced the management of the Group’s market risk, strengthened the market risk management of overseas institutions and continued perfecting our product control; and
- we further implemented the advanced capital management approaches and continued to refine the measurement system concerning credit risk, market risk and operational risk and strengthen the monitoring, improvement, validation and management application of the risk measurement system.

Our ongoing efforts in risk management in recent years have achieved positive results. In recent years, we have maintained stable assets quality. As at 31 December 2017 and 2018, our NPL ratios were 1.55 per cent. and 1.52 per cent., respectively.

## **IMPLEMENTATION OF NEW CAPITAL MANAGEMENT REGULATION**

In June 2012, the former CBRC issued the Capital Regulation, which set out stricter requirements on capital management of commercial banks. In order to implement the relevant requirements of the CBIRC, we continue to promote the adoption of advanced capital management methods. We have preliminarily established an internal capital adequacy assessment system and published a Capital Adequacy Ratio Report for 2015, 2016, 2017 and 2018 in accordance with the Capital Regulation.

### **Continuously promoted the adoption of advanced capital management methods**

In recent years, we have been preparing for the implementation of the advanced capital management methods. We have improved data quality management, optimised our risk measurement model, upgraded our IT systems and extended their coverage abroad, expanded the application of risk measurement results and further increased our risk management capability. See “— *Credit Risk*”, “— *Market Risk*”, and “— *Operational Risk*” for further details regarding the measures we have adopted for credit risk, market risk, and operational risk.

Pursuant to the implementation of the advanced capital management approaches, as approved by the former CBRC, we adopted the preliminary internal ratings based approach for corporate credit risks, the internal ratings based approach for retail credit risks, the internal model approach for market risks and the standardised approach for operational risks meeting regulatory requirements.

### **Preliminarily established an internal capital adequacy assessment system**

We preliminarily established an assessment system for internal capital adequacy, comprising, among others, substantial risk assessment, capital adequacy forecasting and integrated stress testing. The substantial risk assessment system was able to assess the substantial risks to which we are subject. In addition, it can conduct comprehensive analyses of the risk level and management of various kinds of substantial risks. The capital adequacy forecast system can predict changes in various types of risk-weighted assets and capital based on our business and financial plans, so as to predict the capital adequacy level in following years. The integrated stress testing system can set stress scenarios reflecting the business operation, the assets and liabilities portfolio and our risk features based on the analyses of the macroeconomic trend in the future. Thereafter, it can conduct sensitivity analysis on various parameters (including the Capital Adequacy Ratio) of the Group under each stress scenario.

### **Publication of the Capital Adequacy Ratio Report**

In accordance with the Capital Regulation, we published our 2015, 2016, 2017 and 2018 Capital Adequacy Ratio Reports, which set out detailed explanations of, among others, the calculation of our Capital Adequacy Ratio, capital composition, measurement of risk-weighted assets, internal capital adequacy assessment, capital planning and capital adequacy management plans.

## **CREDIT RISK**

### **Overview**

Credit risk refers to the risk of losses suffered by a bank as a result of the failure by a borrower or the counterparty to fulfil its obligations under a contract. Our credit risk is primarily associated with loan portfolios, treasury (including, for example, deposits in other banks, loans to other banks, reverse repurchase, corporate

bonds and financial bonds investment), account receivables and off-balance sheet credit business (including, for example, collateral, commitment and financial derivatives trading).

We have adopted an independent, centralised and vertically integrated credit risk management process and continue to improve our credit granting procedures. In strict compliance with the regulatory requirements of the former CBRC (such as its guidelines on credit risk management) and under the leadership of the Board and senior management, we have established an organisational management structure of our credit business with segregated functions of front, middle and back offices. The Board is ultimately responsible for the effectiveness of the monitoring of credit risk management. Our senior management is responsible for implementing the strategies, general policies and systems of credit risk management approved by the Board. The credit risk management committee under our senior management is our decision-making body with respect to credit risk management related issues and is responsible for reviewing any important and significant matters relating to credit risk management. Our credit risk management departments at various levels are responsible for managing credit risk at their respective levels, and our business departments implement the credit risk management policies and standards for their respective business areas based on their own functions.

Our credit risk management has the following characteristics: (1) standardised credit management processes are implemented throughout the Bank; (2) the principles and processes of risk management focus on the entire process of credit business, covering customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and postlending monitoring; (3) a special organisation is set up to supervise the entire process of credit business; (4) the qualification of employees who are responsible for credit review and approval is strictly reviewed; and (5) a series of information management systems are designed to reinforce the monitoring of risks.

### **Credit Risk Management for Corporate Loans**

A customer must have a credit line with us to be eligible for an individual loan application. Each new corporate loan customer must first be assigned with a credit rating before being considered for a total credit line. Our corporate relationship managers conduct an initial investigation and evaluation of each new customer, which is primarily focused on the customer's operating conditions, financial condition and credit situation (as well as the guarantor and collaterals if there is a security package). As part of their investigation, our corporate relationship managers rely on our client information integration solution ("CIIS") system to screen out applicants with bad credit history. For new customers, the credit rating and credit line applications are processed at the same time as the individual loan applications and the initial investigations.

#### ***Customer Credit Rating***

We assign credit ratings to our customers based on detailed quantitative and qualitative indicators, which include a broad range of factors such as the customer's ability and willingness to repay, the industry sector of the customer and geographic region where the customer operates. We maintain a 12-grade internal ratings system for our corporate customers ranging from AAA to B. Each new customer will be assigned a credit rating, and we re-assess the credit rating of each of our corporate customers each year based on an annual review. Customers with a credit rating of AA– or above, or customers with a credit rating of A+ or above who satisfy certain additional conditions, will be eligible for unsecured loans. Loans to customers who don't satisfy the conditions for unsecured loans are required to be secured by collateral or third-party guarantees. Our entire credit rating process is supported by proprietary information systems that we have developed in-house.

#### ***Customer Credit Line Approval***

The total credit line that we grant to a customer is determined by taking into account its credit rating and conducting a comprehensive analysis and evaluation of the customer's credit history and financing needs. Our head office and branches may approve credit line applications within their specific authorisation limits. When a credit line application report is received from our loan origination personnel, a primary reviewer is appointed



to assess the application in accordance with our internal policies and procedures. If the credit line is within the authorisation limits of the originating branch, the primary reviewer then presents his findings and recommendations to the credit approval committee of that branch for further review. Credit line applications that exceed the authorisation limits of the originating branch must be submitted to a higher tier branch or head office, as applicable, for the requisite authorisations. In addition, the preliminary decision by the relevant committee at our head office or branches must be further approved by an authorised loan approval officer who is typically a senior manager at our head office or branches.

## ***Individual Loan Approval and Management***

### ***Initial Loan Evaluation***

When a customer applies for a new loan, our initial evaluation generally consists of (i) assessing recent developments relating to the customer's financial condition and credit history; (ii) reviewing the planned use of proceeds; (iii) assessing the reliability of the primary source of repayment for the loans; (iv) evaluating the collateral or reviewing the financial conditions of the guarantor, if any; and (v) assessing the overall credit risk and potential financial returns associated with the loan.

### ***Loan Review and Approval***

***Individual Loan Approval.*** When a corporate relationship manager recommends a loan for approval, he or she will submit the loan application package, which includes an evaluation report, to a reviewer in the relevant credit approval department for review. If the loan will be collateralised, there will be a separate evaluation of the underlying collateral. Based on an examination of the loan application package, the reviewer will prepare a report that includes his or her findings and recommendation to that branch's credit approval committee.

***Project Evaluation.*** In reviewing applications for medium or long-term loans to fund major projects, such as acquisitions of fixed assets, expansion of production capacity, infrastructure development and property development, a loan assessment team will be formed to evaluate the underlying project. We assess the borrowers, the co-investors in the underlying projects and the underlying projects themselves, taking into account factors such as the anticipated cash flows of the projects, the perceived repayment ability of the borrowers and other credit risks related to the relevant loans. We may seek professional advice from external parties in the course of conducting such project evaluations depending on the circumstances.

***Collateral Appraisal.*** In principle, we conduct valuation assessments for secured loans that have specific collaterals. Afterwards, we enter into the loan approval process, conduct an independent appraisal of the collateral and approve the loan based on our appraisal. The credit approval department is responsible for arranging the collateral appraisal process. Loans that are secured by collateral are generally subject to the following loan-to-value ratio limits, depending on the type of collateral.

<b>Type of Collateral</b>	<b>Maximum Loan-to-Value Ratio</b>
<b>Properties</b>	
Real estate	70%
Land use rights	70%
Movable assets	50%
<b>Monetary assets</b>	
Cash deposits with us	90%
Government bonds	90% (based on the lower of book value or market value)
Bonds issued by financial institutions	80% (based on the lower of book value or market value)

Corporate bonds	50% (based on the lower of book value or market value)
Non-publicly traded equity securities	50% (based on net asset value)
Publicly traded stocks	60% (based on market value)

We require all the collateral to be re-appraised on a regular basis. We utilise an appraisal management information system that allows us to maintain electronic records of titles, external appraisals, physical status and other factors that may affect the value of our collateral.

In respect of third-party guarantees, we evaluate the guarantor's financial condition, credit history and ability to meet its obligations.

### *Fund Disbursement*

After a loan application is conditionally approved, the relevant corporate relationship manager must ensure that all the conditions are satisfied before the loan is extended. Such conditions can include, as applicable, obtaining a guarantee, securing funding for the project, obtaining government approval for the underlying project or inclusion of additional provisions in the loan document, such as financial ratio requirements and restrictions on the borrower's ability to make dividend distributions. Upon satisfaction of all conditions, an authorised loan officer will execute credit documents with the borrower, and funds are disbursed. Our loan documents are generally based on standard forms and are reviewed by our legal personnel.

### *Post-disbursement Management*

#### *Post-disbursement review*

We conduct post-disbursement monitoring and review, including the monitoring of post-disbursement payment and periodic review, in order to detect potential non-repayment or other risks and to implement preventative measures in order to mitigate default risks or take remedial actions to minimise potential losses. The frequency of post-disbursement review depends on the credit rating of the customers and factors that would affect the customers' ability to repay the loans.

#### *Loan Classification*

All PRC commercial banks are required to classify their outstanding loans based on a five-category loan classification system. See "*Assets and Liabilities — Assets — Asset Quality of our Loan Portfolio*". We have adopted an internal 12-grade loan classification system, which refines the five-category loan classification system, to classify our corporate loans. We continue to use the five-category loan classification system to classify our discounted bills and off-balance sheet commitments, such as guarantees, for internal purposes.

The following table illustrates our internal 12-grade loan classification system:

Pass				Special Mention			Substandard		Doubtful		Loss
Pass One	Pass Two	Pass Three	Pass Four	Special Mention One	Special Mention Two	Special Mention Three	Substandard One	Substandard Two	Doubtful One	Doubtful Two	Loss

This loan classification system takes into account both quantitative and qualitative factors, including the credit rating of the relevant borrower, the existence of a guarantee and the outstanding period of any overdue payments. The system utilises a quantified scoring model, and preliminary scores are automatically generated by our global credit management system (the "GCMS"). The relevant corporate relationship manager will provide a recommendation for classification based on the preliminary results generated by the system. Our credit management department will review the classification results and provide its views upon review, and the

relevant person responsible for the credit management department will finalise, within his or her scope of authority, the classification of the relevant loan upon further examination. We review our loan classification on a monthly basis.

Our internal 12-grade loan classification system is designed to enable us to monitor better changes in our asset quality, to detect potential credit risks and to conduct more effectively post-disbursement management of our loan portfolio. We believe that this system has strengthened our loan monitoring function and improved our overall credit management.

#### *Management of NPLs*

The credit and investment management department at our head office as well as the credit and investment management and risk management department at our branches are primarily responsible for managing our NPLs. When a loan becomes non-performing, the management of the loan is transferred to the relevant credit and investment management department or risk management department. In order to strengthen the management of our NPLs, we have refined our internal organisational structure and optimised our procedures for NPL management. We continue to develop practical and effective measures and methods for recovering or disposing of NPLs.

We manage our NPLs primarily based on the classification of such loans. For sub-standard loans, we focus on monitoring the current assets and cash flows of the borrower, paying particular attention to any major changes in its business. For doubtful loans, we closely monitor the businesses of the borrower and the related guarantor, increase our efforts to examine and preserve the assets of the borrower and actively engage in collecting and recovering these loans. For loss loans, we write off these loans in accordance with the relevant regulatory requirements but continue to seek recovery of the relevant amounts.

To recover NPLs, we generally take, to the extent necessary, the following actions: (i) notification of collection; (ii) cash collection; (iii) restructuring of NPLs; (iv) disposal of collateral or recovery of collateral; (v) collection through legal or arbitration proceedings; (vi) bulk transfer to asset management companies; and (vii) write-offs, once all other collection actions have failed.

To manage better our restructured loans, we have formulated relevant policies that set forth the definitions pertinent to, provisions applicable to and allocation of responsibilities regarding the investigation, approval and post-restructuring management of the restructured loans. Under the relevant management rules, upon its restructuring, a restructured loan may not be initially classified to a category higher than substandard. A restructured loan may not be classified to a category higher than doubtful if, after its restructuring, the restructured loan remains overdue or the borrower remains incapable of repaying the loan. Within the six-month observation period immediately following its restructuring, a restructured loan may not be reclassified to a category higher than the one to which it was initially assigned.

#### **Credit Risk Management for Personal Loans**

In an effort to prevent potential credit risks and improve the efficiency of our personal loan approval, we have established personal loan approval centres at our first tier branches to be responsible for reviewing and approving personal loans within their respective jurisdictions and within the authorised limit. Each step of our personal credit business process is operated through our GCMS.

#### ***Credit Origination and Evaluation***

Once a personal loan application is received by the originating branch, our investigator will examine the application materials and investigate the applicant through interviews and site visits. The investigator will also search the databases such as the personal credit information database of the PBOC and our specially designated customer information system for relevant information. The investigator also categorises and scans the application materials and utilises the GCMS to determine the borrower's credit rating, loan application rating,

RAROC forecast and pricing valuation. Two officers will be responsible for the investigation. After the investigation, the branch manager will verify the loan application and investigation results in the GCMS and submit the loan application materials to the personal loan approval centre.

### ***Credit Approval***

Upon receiving loan application materials, the relevant personal loan approval centre assigns an officer to conduct further review of the loan application from the perspective of credit policy, regulation and risk management. Furthermore, the officer conducts a comprehensive review of the information contained in the loan application materials to verify whether it is objective and reasonable. If this officer recommends approval of the loan application, the application will be submitted to an authorised reviewer in the personal loan approval centre for final approval. If the amount of the loan exceeds the credit authorisation limit of the originating branch, the application will be forwarded to the higher tier branch with the requisite authority.

### ***Loan Disbursement***

After a loan application is approved and the authorised person has signed and approved the loan disbursement, the designated personnel of the originating branch are responsible for further ensuring that the required guarantee, if any, is provided, that other pre-conditions required for loan disbursement are fulfilled, that the loan agreement and any other documentation is executed and that the funds are disbursed to the borrower.

### ***Post-disbursement Management***

#### ***Post-disbursement Monitoring***

We conduct post-disbursement monitoring and review of our personal loans, including the monitoring of post-disbursement payment and periodic review, in order to detect potential non-payment or other risks and to implement preventive measures to reduce default risk and take remedial action to minimise potential losses. The frequency of post-disbursement review depends on the use of proceeds and factors that would affect the customers' ability to repay the loans.

#### ***Loan Classification***

We use the five-category loan classification system to classify our personal loans. The GCMS automatically and quantitatively classifies personal loans based on months overdue, cross default and other parameters. Such quantitative classification result will apply directly if it can accurately reflect the quality of assets. If the quantitative classification result appears to be inaccurate based on post-disbursement monitoring, supervision, collection and other review, our first tier and second tier branches are required to initiate qualitative classification analysis procedures.

#### ***Collection of NPLs***

Our personal NPLs are managed primarily by the risk management departments at our head office and branches. As part of our efforts to enhance the post-disbursement management of our personal loans, we have implemented standardised rules and procedures for the maintenance and use of our personal credit files and related records.

We have implemented standardised collection, recovery and disposal procedures and measures for our personal NPLs throughout the Bank. When necessary, we initiate legal proceedings to recover NPLs and seek the enforcement of relevant guarantee or insurance obligations.

### ***Credit Risk Management for Credit Cards***

We have adopted an applicant scoring mechanism for evaluating and approving our credit card applications, applied the scoring model to credit card approval procedures and set out minimum criteria for application risk control scoring. We have implemented various control strategies, taking into account the risk management

capabilities of the institution issuing the credit cards, product feature and actual risk control situation, and we have consistently enhanced the robustness of our internal rating approach in credit card businesses. In evaluating credit card applications, we give full consideration to our CIIS system as well as the credit data provided by the PBOC and those made available by China Unionpay.

Our head office oversees all credit card-related transactions on a Bank-wide basis. We routinely monitor and analyse unusual credit card transactions to reduce credit card fraud and intentional default.

### **Credit Risk Management for Treasury Operations**

Our treasury operations are subject to credit risk as a result of our investment activities and inter-bank lending activities. Our RMB-denominated investment portfolio primarily consists of debt securities issued by the PRC Government and other domestic issuers. The amount of the debt securities of any domestic or foreign entity (except the PRC Government) that we purchase or our interbank lending to any domestic or foreign entity is limited to the total credit lines that we have approved for that entity. Our foreign currency-denominated investment portfolio primarily consists of investment-grade bonds.

### **Achievements in Risk Management in Recent Years**

In recent years, in response to the changes in the macroeconomic environment and financial regulatory requirements, we have endeavoured to drive the real economy by financial services and proactively adjusted and improved various credit policies according to the changes in the economic environment and industrial development trends. We have expedited product innovation, optimised credit business procedures, supported the development of the real economy, made greater efforts in credit restructuring and continued the building of the credit system in the PRC. We strictly controlled our credit risks in certain key areas, strengthened credit limit management by industries, standardised the credit operation process and strengthened the construction of credit risk monitoring, verification and supervision. Furthermore, we achieved centralised monitoring of credit risk for customers, institutions, products and processes of the Group and enhanced risk control and prevention. As a result, our credit risk management has been enhanced.

We have adopted an internal rating system for retail and non-retail businesses to conduct customer rating, pricing, supervision and analysis and have strengthened our credit risk management. We implemented a continuous monitoring mechanism and re-assessment mechanism for our internal rating system, adopted a strict approval and re-assessment management policy and made use of the internal rating results to effect risk alerts. Based on the latest business operational data, we have optimised our customer and debt rating model and enhanced the accuracy of the model in measuring default rates and loss rates. We have also utilised the measurement results to improve our economic capital management and have achieved a balance between risks and returns by adopting the risk adjusted return on capital measurement. Furthermore, we have reinforced our credit card rating management and risk control policy, increased the management requirement of cross-default customers and further enhanced the effectiveness of rating results as a risk management tool.

We continue to advance the development of the credit system in the PRC and have further optimised our credit management system. We improved the management rules regarding loan guarantee and classification of credit risk exposure of our banking book, promoted reform of our credit business process and optimised parallel solutions of sub-processes, including credit granting, rating, approval and collateral assessment. We expedited the integrated construction of our GCMS and launched functions such as the integrated management of corporate group information and uniform credit rating and granting.

We have also improved industry credit policies and enhanced industry risk management. Based on macroeconomic policy, the orientation of industrial policy and the characteristics of industrial operation, we have continuously adjusted and improved the credit policy for each industry and further expanded the coverage of industrial credit policies. We actively supported the advanced manufacturing, modern services and culture

industries and strategic emerging sectors, in line with the country's economic restructuring orientation, and continued to promote the "green credit". By scientifically navigating the direction of granting credit and structural adjustment, we have implemented strict quota management on industries with over-capacity, improved credit limit management and operation procedures and enhanced the control and withdrawal mechanism for business with potential risks. Consequently, the total amount of financing for industries with over-capacity has been reduced and the financing structure has been improved.

We strengthened risk management of loans to LGFVs. We followed the relevant policies and regulatory requirements of the State Council and CBIRC, strictly controlled new financing for LGFVs, timely adjusted policies on loans to LGFVs and accelerated the rectification and credit enhancement of existing loans to LGFVs to optimise the credit structure of the financial vehicles.

We strengthened risk management of the real estate industry. We implemented the country's macro-control policy, continued to implement industrial limit management, strictly controlled the direction of real estate loans and further optimised the structure of loan customers. We also strengthened off-site monitoring and analysis of real estate loans and actively implemented risk prevention and control measures.

We strengthened risk management in relation to trade finance. In light of the complex external environment, we have regulated our level of commodity financing, defined stricter access standards for logistic monitoring enterprises and strengthened the supervision of cooperative institutions. We have explored a work mechanism for supply chain financing on our own initiative, developed our off-site monitoring of trade finance, strengthened trade background authenticity verification and improved our system capability in preventing and combating fraudulent transactions.

We enhanced risk management of personal loans. We steadily developed our personal loan business, actively adjusted the structure of personal credit products and optimised the allocation of personal credit resources. In respect of residential mortgages, we continued to implement a differentiated housing credit policy and actively promoted the innovation of personal consumption loans. We also set higher access standards for borrowers, pushed forward the management of personal customer credit limits and effectively controlled the overall risk of personal customer financing. We strengthened compliance management of personal loans to ensure business operations comply with laws and regulations. We also improved disposal and recovery mechanisms for personal NPLs.

We enhanced credit risk management of small and micro enterprises. We strengthened the examination of small enterprise credit risks and sought to prevent cross-default risks of small enterprise loans, personal loans and credit cards. We set stricter access standards for small enterprise trade financing, improved small enterprise credit management and enhanced on-site inspection and off-site monitoring and management. We also improved guarantee methods with a view to mitigate credit risks and ensure the steady and healthy development of credit business of small enterprises.

The risk management process of our credit card business was also enhanced. We have improved our credit card risk management systems, actively pushed forward credit policy adjustments, strengthened credit card approval management, utilised quantitative risk evaluation technology to enhance automatic risk identification and risk control functions of our systems and strengthened the dynamic management of credit lines. We established a multi-dimensional asset quality supervision mechanism, intensified the collection of credit card NPLs and improved the uniform system platform for risk management before, during and after credit card lending.

Our credit risk management of our treasury operations was improved. We have improved the risk monitoring and analysis mechanism and, on our own initiative, improved the structure of our bond investment portfolio according to the trend of domestic and international financial markets, effectively mitigating the credit risk of our investment portfolios. We took various risk management measures to strengthen the credit risk management of our treasury operations, including defining customers' access standards, controlling credit limits, controlling

investment limits, controlling margin proportions, rating management and controlling authority limits for single transactions.

We strengthened the quality management of credit assets to guarantee the stable quality of such assets. We improved our NPL forecasting and alert mechanism to facilitate timely risk response measures. We strengthened the management of NPLs in key areas and large-amount NPLs and enhanced the management, collection and disposal of NPLs. We also strengthened write-off management and carried out bad debt write-offs in an orderly manner. In addition, we proactively disposed of NPLs through bulk transfer, interest-free repayment, payment-in-kind, loss-free transfer and other means and broadened the channels for NPL disposal.

## **MARKET RISK**

### **Market Risk Management**

Market risk refers to the risk of loss in the on and off-balance sheet businesses of a bank as a result of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices). Our market risk is primarily associated with interest rate risk, exchange rate risk and gold price risk.

Our market risk management refers to the whole process of identification, measurement, monitoring, control and reporting of market risk. We aim to improve our market risk management system by delineating the allocation of responsibilities and procedures for the management of market risk and determining and standardising measurement methods, management criteria and market risk reporting in order to control and prevent market risk and increase our market risk management capability. Based on our overall risk preference, we target to control the market risk at an acceptable level and achieve an optimised risk-adjusted rate of return.

We have adopted an independent, centralised and consolidated market risk management process. In strict compliance with the relevant requirements of the CBIRC and under the leadership of our Board and senior management, we have established an organisational management structure of our financial market business with functions segregated into front, middle and back offices. The Board is ultimately responsible for the monitoring of market risk management. Senior management is responsible for implementing the strategies, general policies and systems of market risk management approved by the Board. The market risk management committee under our senior management is also our decision-making body with respect to market risk management related issues. It is responsible for reviewing any important and significant matters relating to market risk management and carries out its work in accordance with its working rules. The risk management departments at various levels are responsible for managing market risk at their respective levels, and the business departments implement the market risk management policies and standards for their respective business areas based on their own functions.

In recent years, we have continued to strengthen our consolidated management of market risk and comprehensively enhanced the management and measurement of market risk at the Group level. We have further promoted the adoption of our advanced capital management methods and our IMA, continued to improve our market risk management system and enhanced our ability to independently develop our IMA. We optimised our market risk measurement methods, established a unified market risk data management platform at the Group level and expedited the extension of the global market risk management system abroad. In addition, we actively carried out testing of our IMA and continued to promote the application of our IMA in core areas such as limit management, risk reporting, stress testing and capital measurement. In 2014, the former CBRC officially approved our implementation of the IMA for capital measurement and management.

### **Market Risk Management of the Banking Book**

We have actively improved the market risk management system of our banking book, further enhanced measurement of interest rate and exchange rate risks and strengthened our capability in managing interest rate

and exchange rate risks at the Group level. We have also upgraded our interest rate management system and improved the accuracy of system measurement, laying a solid foundation for refined management of interest rate risk.

### **Market Risk Management of the Trading Book**

We continued to strengthen and improve risk measurement and product control of our trading book by adopting multiple risk management methods, including “Value at Risk”, sensitivity analysis and exposure analysis to measure and manage products in the trading book. We also optimised our market risk limit management system based on trading portfolios, included overseas institutions into the market risk limit management of the Group, refined management of limit indicators and realised dynamic monitoring and management with the help of our global market risk management system. Relying on our global market risk management systems, we consistently conduct market risk stress tests and scenario analysis.

## **LIQUIDITY RISK**

### **Liquidity Risk Management**

Liquidity risk refers to the risk that we are unable to raise funds on a timely basis or at a reasonable cost to pay debts as they become due, to perform other payment liabilities or to meet other requirements of capital to carry out its normal business.

Taking into consideration changes in the macroeconomic environment and financial regulatory policies, we continue to strengthen the development of our liquidity risk management system and improve the management of our liquidity risk. In light of the regulatory requirements of the Regulations Governing the Liquidity Risk of Commercial Banks (Provisional) and relevant requirements, we have implemented liquidity risk management related policies, revised our emergency measures for liquidity risks and further improved our liquidity risk management systems. We also coordinated the management of on and off-balance sheet liquidity risk and provided guidance for overseas institutions to adjust their assets and liabilities structure. Furthermore, we optimised the management model for our treasury businesses and continued to enhance our liquidity risk management capabilities on a consolidated basis.

### ***Liquidity Risk Management System and Governance Structure***

Our liquidity risk management system is in line with our overall development strategy and overall risk management system and is appropriate for, among others, the size, nature and complexity of our business. Our liquidity risk management system includes the following features: efficient supervision by the Board and senior management; sound liquidity risk management strategy, policies and procedures; sound detection, measurement, monitoring and control procedures of liquidity risks; a sound internal control and effective supervision mechanism; a comprehensive management information system; and an effective crisis management mechanism.

The governance structure of our liquidity risk management includes the decision-making system (consisting of the Board and its special committees, the assets and liabilities management committee of the head office and the risk management committee of the head office), the supervision system (consisting of the board of supervisors, the internal audit office and the internal control and compliance department) and the enforcement system (consisting of the assets and liabilities management department of the head office, various business departments and operation and management departments). These systems perform the respective functions of decision-making, supervision or enforcement in relation to liquidity risk management.

### ***Objectives, strategies and major policies for liquidity risk management***

Liquidity risk management strategies, policies and procedures are devised according to liquidity risk preferences. We take into consideration on and off-balance sheet businesses as well as domestic and overseas



business departments, branches and subsidiaries that could have a material effect on liquidity risks. In addition, our strategies, policies and procedures also take into account liquidity risk management under normal and stressed scenarios.

#### ***Liquidity risk management model***

Our liquidity risk management department at the head office level manages the liquidity risk of the Group on a consolidated basis. The business departments that manage the on and off-balance sheet businesses at the head office, domestic and overseas branches and institutions effectively implement the requirements of the Group's liquidity management policies. Furthermore, they cooperate with the departments in charge of liquidity management in terms of risk detection, measurement, monitoring and reporting.

#### ***Stress testing***

The purpose of the liquidity risk stress test is to ascertain key risks and weaknesses from the stress test results and to apply such results in the decision-making process of the Board and senior management. Stress test analysis mainly includes scenario analysis and sensitivity analysis. We set stress test scenarios cautiously, taking into account the combined effect of idiosyncratic factors that affect us in particular and systemic shocks that affect the whole market. We also consider low, medium and high stress levels. Generally, stress tests are conducted on a quarterly basis, and we can increase the frequency of stress tests according to external conditions, regulatory requirements or management requirements.

### **OPERATIONAL RISK**

#### **Operational Risk Management**

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks that we face, including risks associated with internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system events and execution, delivery and process management. In accordance with the latest regulatory requirements on and the trend of changes in operational risk management in the PRC banking industry, we have further improved our operational risk management mechanism, implemented operational risk management rules, implemented three lines of defence in operational risk management and further promoted the application of our advanced measurement approach ("AMA"). We have improved the key risk indicator system of operational risk and amended the criteria for identifying operational risk loss events. We have promoted self-assessment on operational risk and risk control throughout all of our business lines, which makes the operational risk management more predictive. We upgraded the internal control functions of our asset business processes and relevant management system to realise the pre-event control of compliance problems in our credit business. We have strengthened our operational risk monitoring by applying risk models to our business operation systems. We monitor fraudulent transactions on a round-the-clock basis through relying on the credit card risk monitoring system and have established a forged card inspection and handling mechanism to prevent credit card fraud risk. We have also continuously strengthened our operational risk management and control of our overseas institutions and promoted the application of operational risk management instruments and our AMA in our overseas institutions, thereby enhancing our overseas institutions' operational risk management. Our operational risk management continuously improved, and our risk prevention and control capability were further enhanced.

#### **Legal Risk**

We have continued to strengthen our Group's legal risk control system to increase legal support in the ordinary course of business and have sought to ensure the Group's operations are compliant with all relevant regulations and to ensure sound development of business. We have also enhanced our legal services and pre-incident legal

risk control to support our internationalised and diversified operations as well as the development and innovation of various business lines. In the process of legal consultation and inspection, we added the perspective of consumer protection to ensure the fairness and reasonableness of relevant legal documents and business arrangements. We actively resorted to legal means to collect on NPLs and to improve the efficiency of collection. We strengthened the monitoring and management of legal proceedings, in particular where we were the defendant, thereby preventing or mitigating the risks in such legal proceedings, and improved our lawsuit management capabilities.

### **Anti-money Laundering**

In strict compliance with applicable laws and regulations concerning anti-money laundering in countries and regions where we operate, we actively implemented the “risk-based” regulatory requirements in respect of anti-money laundering and continued to improve our management standard, working mechanism and compliance measures. We have implemented ten anti-money laundering measures such as “Anti-money Laundering Provisions” and have established unified anti-money laundering risk control principles at the Group level as well as an anti-money laundering internal control system. In addition, we have developed and continued to optimise anti-money laundering systems such as an anti-money laundering monitoring system, customer risk categorisation, a global specially designated nationals list processing system, an overseas anti-money laundering monitoring platform and a comprehensive anti-money laundering management system, thus establishing an information technology infrastructure and standardised management in this respect. Furthermore, we have enhanced the internal audit, compliance checks and on-site verification functions of overseas institutions in respect of anti-money laundering, and we are promptly informed of relevant regulatory and policy changes. We have also improved our anti-money laundering systems according to the specific demands of our overseas institutions, carried out projects on client information management and completed money laundering risk assessment for existing products. In addition, we have enhanced risk monitoring and process control for sensitive businesses, internet banking, bank card and other businesses that are exposed to higher risks to implement effectively the “risk-based” regulatory requirements. We have established a system whereby we conduct off-site sampling of suspicious trades from time to time and collect suspicious trades from the entire Group on a quarterly basis and actively cooperate with anti-money laundering regulators and other authorities in their investigations. We also hold anti-money laundering training, have formed a team of experts and have organised employees to participate in the “Certified Anti-Money Laundering Specialist” qualification certification to enhance their awareness and skills in anti-money laundering risk prevention. Save as disclosed under “Risk Factors — Other Risks Relating to Our Business — *We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities*”, we are not currently aware of any money laundering or terrorist financing activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations.

### **Reputational Risk**

We have continued to strengthen our reputational risk management and to promote the development of a reputational risk management system and work mechanism. We have carried out work relating to the identification, assessment, monitoring, control, mitigation and evaluation of reputational risk and have strengthened the consolidated management of reputational risk. Targeted at protection of consumers’ rights and improvement of service quality and internal management, we carried out our reputational risk management work and made plans to control potential risk factors in advance. We paid attention to the influence of Weibo and other new media on reputational risk and studied the new changes in reputational risk transmission and corresponding countermeasures for reputational risk management.

## **Country Risk**

We continue to strengthen country risk management and improve our country risk management system. We have closely monitored changes in risk exposures, constantly tracked, monitored and reported country risk, timely updated and adjusted the country risk rating and limits, actively conducted stress testing on country risk, further strengthened the pre-warning mechanism for country risk, improved relevant contingency plans and effectively controlled country risk while furthering our internationalisation strategy.

## **INTERNAL CONTROL SYSTEM**

Our internal control system aims to establish standardised operation, efficient management and systematic monitoring within the Group. The Board is responsible for the establishment and implementation of an effective internal control system for us to ensure that we operate within applicable legal and regulatory frameworks. The audit committee, risk management committee and related party transaction control committee under the Board perform their corresponding internal control management duties and assess the effectiveness of internal control. We have an internal audit office and several internal audit sub-offices that are subject to vertical management and report to the Board. There are internal control and compliance departments at both the head office level and the branch level, which are responsible for organisation, promotion and coordination of internal control works within the Bank and perform the functions of operating risk management, compliance management, regular inspections and operational risk assessment. Additionally, we engage an accounting firm to audit the effectiveness of internal control on our financial statements every year.

We regularly seek to improve and further develop our internal control systems. We have streamlined our internal control rules and strengthened our proposal and approval processes as well as overall management mechanism of such rules within the Group. We also comply with external laws and regulations and coordinate the monitoring and inspection of our key risk areas. In addition, we have fully implemented our internal control monitoring and analysis platform, have strengthened offsite supervision and management and have utilised the monitoring results of our information system to improve internal control assessment measures and the quality of internal control assessment.

## ASSETS AND LIABILITIES

*Prospective investors should read the discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018 with the related notes thereto incorporated by reference in this Offering Circular. Save as described under “Presentation of Information” above, the consolidated financial information set forth below is derived from the financial statements incorporated by reference in this Offering Circular. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.*

### ASSETS

As at 31 December 2017 and 2018, our total assets amounted to RMB26,087,043 million and RMB27,699,540 million, respectively. Our assets primarily comprise (i) loans and advances to customers, (ii) investment, (iii) cash and balances with central banks, (iv) due from banks and other financial institutions and (v) reverse repurchase agreements.

The following table sets forth, as at the dates indicated, the components of our total assets.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Loans and advances to customers, gross.....	14,233,448	—	15,419,905	—
Add: Accrued interest	—	—	38,958	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost .....	340,482	—	412,731	—
Loans and advances to customers, net .....	13,892,966	53.2%	15,046,132	54.3%
Investment .....	5,756,704	22.1%	6,754,692	24.4%
Cash and balances with central banks .....	3,613,872	13.9%	3,372,576	12.2%
Due from banks and other financial institutions .....	847,611	3.2%	962,449	3.5%
Reverse repurchase agreements .....	986,631	3.8%	734,049	2.6%
Other assets .....	989,259	3.8%	829,642	3.0%
<b>Total assets .....</b>	<b>26,087,043</b>	<b>100.0%</b>	<b>27,699,540</b>	<b>100.0%</b>

Our total assets increased by 6.2 per cent. from RMB26,087,043 million as at 31 December 2017 to RMB27,699,540 million as at 31 December 2018. The increase in our total assets from 31 December 2017 to 31 December 2018 was mainly due to increases in cash and balances with central banks, our loans and advances to customers, investment and due from banks and other financial institutions.

As at 31 December 2018, we had total assets of RMB27,699,540 million, representing an increase of 6.2 per cent. from total assets of RMB26,087,043 million as at 31 December 2017, of which loans and advances to customers increased by RMB1,186,457 million, or 8.3 per cent., investment increased by RMB997,988 million, or 17.3 per cent., and cash and balances with central banks decreased by RMB241,296 million, or 6.7 per cent. In terms of structure, loans and advances to customers, net accounted for 54.3 per cent. of total assets,

representing an increase of 1.1 per cent. from 31 December 2017; investment accounted for 24.4 per cent. of total assets, representing an increase of 2.3 per cent. from 31 December 2017; cash and balances with central banks accounted for 12.2 per cent. of total assets, representing a decrease of 1.7 per cent. from 31 December 2017; due from banks and other financial institutions, net accounted for 3.5 per cent. of total assets, an increase of 0.3 percentage points from 31 December 2017; reverse repurchase agreements accounted for 2.6 per cent. of total assets, representing a decrease of 1.2 percentage points from 31 December 2017; and other assets accounted for 3.0 per cent. of total assets, representing a decrease of 0.8 percentage points from 31 December 2017.

### **Loans and Advances to Customers**

We provide a broad range of loan products to our customers, the majority of which are denominated in Renminbi. Loans and advances to customers are the largest component of our assets. As at 31 December 2017 and 2018, our loans and advances to customers, net of allowances for impairment losses, accounted for 53.2 per cent. and 54.3 per cent., respectively, of our total assets. For a description of the loan products we offer, see *“Description of the Bank — Our Business Operations”*.

Unless otherwise indicated in this Offering Circular, the following discussion is based on our gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than our net loans and advances to customers. Our loans and advances to customers are reported net of the allowance for impairment losses on our consolidated statement of financial position.

Our gross loans and advances to customers increased by 8.3 per cent. from RMB14,233,448 million as at 31 December 2017 to RMB15,419,905 million as at 31 December 2018.

The increases in our gross loans and advances to customers were mainly due to our ongoing efforts to put the credit resources to use through means such as deepening the merged management of existing and incremental loans and accelerating the asset securitisation, with the loan disbursement volume and availability progress exceeding the same-period levels of the past few years.

In 2017 and 2018, we strengthened support for key projects and programs in the “four regions” (western regions, northeastern regions, eastern regions and central regions) and the “Three Supporting Belts” (the “Belt and Road” initiative, the coordinated development of the Beijing-Tianjin-Hebei region and the development of the Yangtze River Economic Zone). Moreover, we established the Inclusive Finance Department and took active steps to support small and micro businesses, “agriculture, rural areas and rural residents”, “mass entrepreneurship and innovations” and poverty relief. We focused on “cutting overcapacity, reducing excess inventory and deleveraging” to reduce financial resources tied up by inefficient industries and enterprises. Furthermore, we actively supported the residents’ rational demand for housing financing.

### ***Distribution of Gross Loans and Advances to Customers by Business Line***

The following table sets forth a breakdown of our gross loans and advances to customers by business line as at the dates indicated.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Corporate loans.....	8,936,864	62.8%	9,418,894	61.0%
Discounted bills.....	351,126	2.5%	364,437	2.4%

As at 31 December				
	2017		2018	
	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>				
Personal loans .....	4,945,458	34.7%	5,636,574	36.6%
<b>Total .....</b>	<b>14,233,448</b>	<b>100.0%</b>	<b>15,419,905</b>	<b>100.0%</b>

As at 31 December 2017 and 2018, our corporate loans accounted for 62.8 per cent. and 61.0 per cent., respectively, of our gross loans and advances to customers and our personal loans accounted for 34.7 per cent. and 36.6 per cent., respectively, of our gross loans and advances to customers.

The total size of our corporate loan portfolio has continued to grow during the period under review. Our corporate loans increased by 5.4 per cent. from RMB8,936,864 million as at 31 December 2017 to RMB9,418,894 million as at 31 December 2018. The increase in corporate loans was mainly due to our support of the implementation of key projects in sectors such as public facilities, transportation, advanced manufacturing and modern services aimed to promote regional collaborated development and industrial transformation and upgrade.

As at 31 December 2017 and 2018, our total discounted bills accounted for 2.5 per cent. and 2.4 per cent., respectively, of our gross loans and advances to customers. Our discounted bills increased by RMB13,311 million to RMB364,437 million as at 31 December 2018 from RMB351,126 million as at 31 December 2017. Changes in the balance of our discounted bills were primarily because we moderately decreased our asset allocation to discounted bills to satisfy management needs of asset-liability portfolios and to keep balanced credit extension.

Our personal loans experienced an increasing rate of growth from 31 December 2017 to 31 December 2018. Our total personal loans increased by 13.97 per cent. from RMB4,945,458 million as at 31 December 2017 to RMB5,636,574 million as at 31 December 2018. The increase of our total personal loans was mainly attributable to our active support of citizens' borrowing needs for owner occupied-houses and improved housing in line with the national policy on property regulation.

### *Corporate Loans*

#### **Distribution of corporate loans by maturity**

The following table sets forth, as at the dates indicated, our corporate loans by maturity.

As at 31 December				
	2017		2018	
	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>				
Short-term corporate loans <sup>(1)</sup> .....	2,802,542	31.4%	2,504,493	26.6%
Medium to long-term corporate loans <sup>(2)</sup> .....	6,134,322	68.6%	6,914,401	73.4%
<b>Total corporate loans .....</b>	<b>8,936,864</b>	<b>100.0%</b>	<b>9,418,894</b>	<b>100.0%</b>

Notes:

- (1) Short-term corporate loans represent our corporate loans that have a maturity of 12 months or less according to the respective loan contracts.
- (2) Medium to long-term corporate loans represent our corporate loans that have a maturity of more than 12 months according to the respective loan contracts.

Medium to long-term corporate loans constituted a relatively large proportion of our corporate loans during the period under review. Our medium to long-term corporate loans were RMB6,134,322 million as at 31 December 2017 and increased by 12.7 per cent. to RMB6,914,401 million as at 31 December 2018. As at 31 December 2017 and 2018, our medium to long-term corporate loans accounted for 68.6 per cent. and 73.4 per cent., respectively, of our total corporate loans.

As at 31 December 2018, our short-term corporate loans amounted to RMB2,504,493 million and decreased by 10.6 per cent. to RMB2,802,542 million as at 31 December 2017. As at 31 December 2017 and 2018, our short-term corporate loans accounted for 31.4 per cent. and 26.6 per cent., respectively, of our total corporate loans.

With the continuous promotion of supply-side structural reform and the recovery of the real economy, the demand for short-term and medium to long-term financing of enterprises both increased.

#### Distribution of corporate loans by industry

The following table sets forth the distribution of domestic branch loans by industry as at the dates indicated.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Transportation, storage and postal services .	1,715,562	22.8%	1,894,425	23.8%
Manufacturing .....	1,409,206	18.6%	1,385,463	17.4%
Production and supply of electricity, heat, gas and water .....	900,484	12.0%	919,768	11.5%
Leasing and commercial services .....	910,672	12.1%	1,048,548	13.2%
Water, environment and public utility management .....	655,533	8.7%	770,221	9.7%
Wholesale and retail .....	568,011	7.6%	488,031	6.1%
Real estate .....	501,769	6.7%	592,031	7.4%
Mining .....	208,675	2.8%	185,313	2.3%
Construction .....	223,484	3.0%	232,736	2.9%
Science, education, culture and sanitation ...	126,906	1.7%	170,315	2.1%
Lodging and catering .....	111,047	1.5%	95,530	1.2%
Others .....	191,651	2.5%	191,146	2.4%
<b>Total corporate loans .....</b>	<b>7,523,000</b>	<b>100.0%</b>	<b>7,973,527</b>	<b>100.0%</b>

As at 31 December 2018, a majority of our corporate loan customers operated in the (i) transportation, storage and postal services, (ii) manufacturing and (iii) production and supply of electricity, heat, gas and water which accounted for 23.8 per cent., 17.4 per cent. and 11.5 per cent., respectively, of our total corporate loans as at that date. As at 31 December 2017 and 2018, the balance of our corporate loans in these three industries in aggregate accounted for 53.4 per cent. and 52.7 per cent, respectively, of our total corporate loans.

Corporate loans to the transportation, storage and postal services sector constituted a large portion of our corporate loans during the period under review and as at 31 December 2017 and 2018 accounted for 22.8 per cent and 23.8 per cent., respectively, of our total corporate loans.

Corporate loans to the manufacturing sector as at 31 December 2017 and 2018 accounted for 18.6 per cent. and 17.4 per cent., respectively, of our total corporate loans.

In the year ended 31 December 2018, we continued to improve our credit extension strategy and implement dynamic credit limit adjustment. We channelled credit resources to high-quality, high-efficiency fields and improved the credit portfolio and structure to support the real economy more effectively. The increment of loans to the leasing and commercial service industry was RMB137,876 million as at 31 December 2018, up 15.1 per cent. compared to 31 December 2017, mainly for supporting the financing needs of projects for peoples' wellbeing, projects for strengthening areas of weakness in infrastructure, and for infrastructure in such strategic planned areas as national new areas, free trade zones and industrial clusters. During the same period, loans granted to the transportation, storage and postal services industry increased by RMB178,863 million or 10.4 per cent., which was mainly due to efforts in supporting major national strategies and plans, serving the coordinated development of the four regions, three supporting belts and the Guangdong-Hong Kong-Macau Greater Bay Area. Loans granted to the production and supply of electricity, heat, gas and water industry rose by RMB114,688 million or 17.5 per cent., mainly meeting the loan demand of loan in urban infrastructure and public utilities development.

#### *Personal Loans*

The following table sets forth, as at the dates indicated, a breakdown of our personal loans by product.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Residential mortgages.....	3,938,689	79.6%	4,589,961	81.5%
Personal consumption loans.....	255,783	5.2%	204,162	3.6%
Personal business loans.....	216,210	4.4%	215,983	3.8%
Credit card overdrafts .....	534,776	10.8%	626,468	11.1%
<b>Total personal loans.....</b>	<b>4,945,458</b>	<b>100.0%</b>	<b>5,636,574</b>	<b>100.0%</b>

Residential mortgages are the largest component of our personal loans. Our residential mortgages were RMB3,938,689 million as at 31 December 2017, and increased by 16.5 per cent. to RMB4,589,961 million as at 31 December 2018. The increases were primarily because we actively supported the residents' financing need for owner-occupied houses.

Our personal consumption loans were RMB255,783 million as at 31 December 2017, and decreased by 20.2 per cent. to RMB204,162 million as at 31 December 2018.



Our personal business loans were RMB216,210 million as at 31 December 2017, and decreased by 0.1 per cent. to RMB215,983 million as at 31 December 2018.

Our credit card overdrafts were RMB534,776 million as at 31 December 2017, and increased by 17.1 per cent. to RMB626,468 million as at 31 December 2018. The rapid growth in our credit card overdrafts was primarily attributable to the continuous development of credit card instalment business and a stable growth in the consumption volume of credit cards.

### ***Distribution of Gross Loans and Advances to Customers by Geographic Area***

We classify loans and advances to customers geographically based on the location of the branch that originates the loan. There is generally a high correlation between the location of the borrower and the location of the branch that originates the loan, except in the case of our Head Office. The following table sets forth, as at the dates indicated, the distribution of our total loans to customers by geographic area.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Head Office .....	629,733	4.4%	723,302	4.7%
Yangtze River Delta .....	2,599,171	18.2%	2,823,603	18.4%
Pearl River Delta .....	1,896,063	13.3%	2,072,857	13.4%
Bohai Rim.....	2,339,537	16.4%	2,524,307	16.4%
Central China.....	2,003,202	14.1%	2,202,221	14.3%
Western China .....	2,512,303	17.7%	2,735,901	17.7%
Northeastern China .....	734,343	5.2%	759,140	4.9%
Overseas and others.....	1,519,096	10.7%	1,578,574	10.2%
<b>Gross loans and advances to customers ...</b>	<b>14,233,448</b>	<b>100.0%</b>	<b>15,419,905</b>	<b>100.0%</b>

Our loan business spans the PRC, with each of the Yangtze River Delta, Pearl River Delta, Bohai Rim, Central China and Western China regions representing more than 10 per cent. of our gross loans and advances to customers during the period under review. The Yangtze River Delta region was our largest loan concentration during the period under review, representing 18.2 per cent. and 18.4 per cent., respectively, of our gross loans and advances to customers as at 31 December 2017 and 2018. Loans in the Yangtze River Delta region were RMB2,599,171 million as at 31 December 2017, and increased by 8.6 per cent. to RMB2,823,603 million as at 31 December 2018. The proportion of our gross loans and advances to customers represented by loans in the Yangtze River Delta remained the largest loan concentration during the period under review.

The Bohai Rim region has been our third largest loan concentration and represented 16.4 per cent. and 16.4 per cent., respectively, of our gross loans and advances to customers as at 31 December 2017 and 2018. Loans in the Bohai Rim region were RMB2,339,537 million as at 31 December 2017, and increased by 7.9 per cent. to RMB2,524,307 million as at 31 December 2018. The proportion of our gross loans and advances to customers represented by loans in the Bohai Rim has decreased during the period under review due to a slowdown in the demand for lending as well as an increase in our risk control efforts.

As at 31 December 2018, loans to the Pearl River Delta, the Bohai Rim and Central China rose collectively by RMB560,583 million since 31 December 2017, accounting for 47.2 per cent. of total loan increment during this

period. As at 31 December 2017 and 2018, the Yangtze River Delta, Western China and Bohai Rim regions collectively represented 52.3 per cent. and 52.5 per cent., respectively, of our gross loans and advances to customers. During the period under review, we have focused on optimising our geographic credit mix, have promoted a balanced allocation of credit resources for different geographic areas and have sought to maintain the stability of our credit quality. From 2017 to 2018, our overseas and other loans increased by RMB59,478 million, up 3.9 per cent., and accounting for 5.0 per cent. of total loan increment. The increase is mainly due to overseas institutions being guided to seize opportunities in implementing the Belt and Road Initiative and the “Going Global” strategy, thereby fully exerting their strengths and characteristics, optimising the allocation of credit resources and promoting the transformation and upgrading of overseas credit business.

### ***Borrower Concentration***

As at 31 December 2018, the total amount of loans granted by us to the single largest customer and top ten single customers accounted for 3.8 per cent. and 12.9 per cent. of our net capital, respectively. The table below shows the details of the loans granted to our top ten single borrowers as at 31 December 2018.

		<b>As at 31 December 2018</b>	
	<b>Industry</b>	<b>Amount</b>	<b>% of total loans<sup>(1)</sup></b>
<i>(in RMB millions, except percentages)</i>			
Borrower A .....	Transportation, storage and postal services	101,785	0.7%
Borrower B .....	Transportation, storage and postal services	40,207	0.3%
Borrower C .....	Transportation, storage and postal services	34,922	0.2%
Borrower D .....	Manufacturing	29,398	0.2%
Borrower E .....	Finance	26,970	0.2%
Borrower F .....	Transportation, storage and postal services	24,562	0.2%
Borrower G .....	Production and supply of electricity, heat, gas and water	21,111	0.1%
Borrower H .....	Transportation, storage and postal services	20,945	0.1%
Borrower I .....	Transportation, storage and postal services	20,598	0.1%
Borrower J .....	Transportation, storage and postal services	20,267	0.1%
<b>Total</b> .....		<b>340,765</b>	<b>2.2%</b>

Note:

(1) Represents loan balances as a percentage of our total loans.

### ***Loan Interest Rate Profile***

In recent years, as part of the overall reform of the PRC banking system, the PBOC has implemented a series of initiatives to gradually liberalise interest rates and move towards a more market-based interest rate regime. In July 2013, the PBOC removed the lower limit of the floating range of lending interest rates, providing more flexibility to commercial banks in the PRC to determine their own lending interest rates. To manage interest rate risk, we usually set a floating interest rate for loans with a maturity period of more than one year. We generally set a fixed interest rate for loans with a maturity period equal to or less than one year. For personal loans with floating interest rates, we generally adjust our interest rates on the first day of the year that is subsequent to the year in which the benchmark interest rates are adjusted. For corporate loans with floating

interest rates, we generally adjust our interest rates on the anniversary of the date upon which the loan agreement was executed.

### **Asset Quality of Our Loan Portfolio**

In determining the classification of our loan portfolio, we assess, on a case-by-case basis, the likelihood of repayment by the borrower and the collectability of principal and interest on the loan. Our assessment is generally based on a series of general principles that are derived from the former CBRC and PBOC guidelines. These general principles focus on a number of factors, including (i) the borrower's ability to repay the loan, based on such factors as the borrower's financial condition, its profitability and cash flow; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the level of security provided depending on the type and value of collateral; (v) the prospect for support from any financially responsible guarantor; (vi) the remaining maturity of the loan; (vii) the structure and the seniority of the loan; and (viii) the length of time by which payment of principal or interest on a loan is overdue. The following is a summary of these general principles:

*Pass.* Loans may be classified as "pass" only if the borrowers are able to honour the terms of their loans and there is no reason to doubt that the principal and interest payments will not be made in full and on a timely basis. Loans in the pass category generally demonstrate one or more of the following characteristics:

- The borrower maintains sound operations and generates adequate cash flows.
- Principal and interest payments on the loan are made on a timely basis.
- The guarantee or collateral securing the loan, if any, is valid, effective and sufficient.

*Special mention.* Loans may be classified as "special mention" if the borrowers have the current ability to repay principal and interest on the loans but the following adverse circumstances exist:

- A principal or interest payment on the loan is overdue for not more than 30 days.
- The operational and financial status of the borrower has changed.
- The value of collateral has decreased or the operational and financial status of the guarantor has changed.
- Macroeconomic, industry or market conditions have changed.

*Substandard.* Loans may be classified as "substandard" if the borrowers' inability to repay loans becomes evident to the extent that they are unable to rely solely on their ordinary course of operations to repay principal or interest on the loans and it becomes evident that we will incur certain loan losses even if any collateral or guarantees securing the loans are enforced. Loans in the substandard category generally demonstrate the following characteristics:

- A principal payment or any interest payment on the loan is overdue for more than 30 days.
- The borrower has difficulty in repaying the loan.
- The loan needs to be restructured due to adverse changes in the borrower's financial condition or its inability to make payments.

*Doubtful.* Loans may be classified as "doubtful" if the borrowers become unable to repay principal and interest on the loans in full and it becomes evident that we will incur significant loan losses even if any collateral or guarantees securing the loans are enforced. Loans in the doubtful category generally demonstrate the following characteristics:

- A principal payment or any interest payment on the loan is overdue for more than 30 days.

- The borrower has completely or partially suspended its operations.
- The project for which the loan was extended has been terminated or suspended due to funding shortages, worsening operating conditions, litigation or other reasons.
- The loan is still overdue or the borrower is still unable to repay the loan in full notwithstanding its restructuring.

*Loss.* Loans may be classified as a “loss” if none or only a small portion of the principal and interest on the loans can be recovered after exhausting all possible measures and legal remedies.

***Distribution of Loans by Five-Category Loan Classification System***

The following table sets forth, as at the dates indicated, our loans to customers in each category of our five-category loan classification system. Loans classified as Substandard, Doubtful or Loss are considered NPLs.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Pass.....	13,450,486	94.50%	14,733,891	95.56%
Special mention .....	561,974	3.95%	450,930	2.92%
<b>Subtotal</b> .....	14,012,460	98.45%	15,184,821	98.48%
Substandard .....	81,209	0.57%	108,821	0.70%
Doubtful.....	108,854	0.76%	90,383	0.59%
Loss .....	30,925	0.22%	35,880	0.23%
<b>Subtotal</b> .....	220,988	1.55%	235,084	1.52%
<b>Gross loans and advances to customers ...</b>	<b>14,233,448</b>	<b>100.00%</b>	<b>15,419,905</b>	<b>100.00%</b>
NPL ratio <sup>(1)</sup> .....		1.55%		1.52%

Note:

- (1) Calculated by dividing the balance of NPL by total balance of gross loans and advances to customers.

As at 31 December 2017 and 2018, the NPL ratios of our total loan portfolio were 1.55 per cent. and 1.52 per cent., respectively. We continued to implement asset quality reinforcement projects, with our NPL ratio having fallen for eight consecutive quarters to 31 December 2018. During 2018, the allowance to NPL reached 175.76 per cent., steadily enhancing our capability of offsetting risks.

### ***Distribution of NPLs by Business Line***

The following table sets forth, as at the dates indicated, our NPLs by business line.

	As at 31 December					
	2017			2018		
	Amount	% of total	NPL ratio <sup>(1)</sup>	Amount	% of total	NPL ratio <sup>(1)</sup>
	<i>(in RMB millions, except percentages)</i>					
Corporate loans.....	175,903	79.60%	1.97%	194,696	82.82%	2.07%
Discounted bills .....	525	0.24%	0.15%	268	0.11%	0.07%
Personal loans .....	44,560	20.16%	0.90%	40,120	17.07%	0.71%
<b>Total NPLs .....</b>	<b>220,988</b>	<b>100.00%</b>	<b>1.55%</b>	<b>235,084</b>	<b>100.00%</b>	<b>1.52%</b>

Note:

(1) Calculated by dividing the balance of NPL in each category by total balance of gross loans and advances to customers in that category.

As at 31 December 2017, the balance of non-performing corporate loans was RMB175,903 million, representing an NPL ratio of 1.97 per cent. As at 31 December 2018, the balance of non-performing corporate loans stood at RMB194,696 million, representing an NPL ratio of 2.07 per cent., an increase of RMB18,793 million, or 10.68 per cent., from RMB175,903 million as at 31 December 2017.

The NPL ratio of personal loans was 0.90 per cent. as at 31 December 2017, or an NPL balance of RMB44,560 million. As at 31 December 2018, the balance of non-performing personal loans stood at RMB40,120 million, representing an NPL ratio of 0.71 per cent., a decrease of RMB4,440 million, or 9.96 per cent., from RMB44,560 million as at 31 December 2017.

As at 31 December 2017, the balance of non-performing discounted bills was RMB525 million, representing an NPL ratio of 0.15 per cent., which decreased to RMB268 million as at 31 December 2018, representing an NPL ratio of 0.07 per cent.

### ***Distribution of NPLs by Geographic Areas***

The following table sets forth, as at the dates indicated, the distribution of our NPLs by geographic areas.

	As at 31 December					
	2017			2018		
	Amount	% of total	NPL ratio <sup>(1)</sup>	Amount	% of total	NPL ratio <sup>(1)</sup>
	<i>(in RMB millions, except percentages)</i>					
Head Office .....	14,702	6.65%	2.33%	20,036	8.52%	2.77%
Yangtze River Delta .....	27,955	12.65%	1.08%	24,195	10.29%	0.86%
Pearl River Delta .....	32,878	14.88%	1.73%	30,480	12.97%	1.47%
Bohai Rim.....	46,903	21.22%	2.00%	54,489	23.18%	2.16%
Central China.....	32,911	14.89%	1.64%	36,401	15.48%	1.65%
Western China .....	38,628	17.48%	1.54%	35,572	15.13%	1.30%

**As at 31 December**

	2017			2018		
	Amount	% of total	NPL ratio <sup>(1)</sup>	Amount	% of total	NPL ratio <sup>(1)</sup>
<i>(in RMB millions, except percentages)</i>						
Northeastern China .....	19,596	8.87%	2.67%	25,186	10.72%	3.32%
Overseas and others .....	7,415	3.36%	0.49%	8,725	3.71%	0.55%
<b>Total NPLs .....</b>	<b>220,988</b>	<b>100.0%</b>	<b>1.55%</b>	<b>235,084</b>	<b>100.0%</b>	<b>1.52%</b>

Note:

- (1) Calculated by dividing the balance of NPL from each geographic area by total balance of gross loans and advances to customers in that region.

Accordingly, the Pearl River Delta, the Yangtze River Delta and the Western China regions witnessed decreases in NPL ratios. The Head Office, the Bohai Rim, Central China and North Eastern China regions witnessed increases in NPL ratios.

***Distribution of Non-performing Corporate Loans of Domestic Branches by Industry***

The following table sets forth, as at the dates indicated, the distribution of our non-performing corporate loans of domestic branches (excluding discounted bills) by industry.

**As at 31 December**

	2017			2018		
	Amount	% of total	NPL Ratio <sup>(1)</sup>	Amount	% of total	NPL Ratio <sup>(1)</sup>
<i>(in RMB millions, except percentages)</i>						
Transportation, storage and postal services .....	9,568	5.7%	0.56%	15,016	8.0%	0.79%
Manufacturing .....	67,604	40.0%	4.80%	79,790	42.8%	5.76%
Production and supply of electricity, heat, gas and water.....	1,407	0.8%	0.16%	2,113	1.1%	0.23%
Leasing and commercial services .....	6,250	3.7%	0.69%	6,279	3.4%	0.60%
Water, environment and public utility management.....	975	0.6%	0.15%	1,718	0.9%	0.22%
Wholesale and retail .....	55,366	32.8%	9.75%	52,588	28.2%	10.78%
Real estate.....	13,631	8.1%	2.72%	9,823	5.3%	1.66%
Mining .....	2,998	1.8%	1.44%	3,966	2.1%	2.14%
Construction .....	2,856	1.7%	1.28%	3,749	2.0%	1.61%
Science, education, culture and sanitation .....	850	0.5%	0.67%	1,461	0.8%	0.86%
Lodging and catering .....	3,256	1.8%	2.93%	4,951	2.7%	5.18%
Others .....	4,142	2.5%	2.16%	4,962	2.7%	2.60%

	As at 31 December					
	2017			2018		
	Amount	% of total	NPL	Amount	% of total	NPL
			Ratio <sup>(1)</sup>			Ratio <sup>(1)</sup>
			<i>(in RMB millions, except percentages)</i>			
<b>Total non-performing corporate loans .....</b>	168,903	100.0%	2.25%	186,416	100.0%	2.34%

Note:

- (1) Calculated by dividing the balance of NPL from each category by the total balance of gross loans and advances to customers in that category.

The NPL ratio of our loans in the manufacturing sector was 4.80 per cent. as at 31 December 2017, which increased to 5.76 per cent. as at 31 December 2018. The increase in NPLs to the manufacturing industry was principally due to the decline in operating profits and increase in defaults on loans of some enterprises not meeting the high-quality development standards, as well as enterprises with overcapacities.

The NPL ratio of our loans in the wholesale and retail sector was 9.75 per cent. as at 31 December 2017, which increased to 10.78 per cent. as at 31 December 2018.

The NPL ratio of our loans in the transportation, storage and postal services sector was 0.56 per cent. as at 31 December 2017, which increased to 0.79 per cent. as at 31 December 2018.

The NPL ratio of our loans in the real estate sector was 2.72 per cent. as at 31 December 2017, which decreased to 1.66 per cent. as at 31 December 2018.

### **Loan Aging Schedule**

The following table sets forth, as at the dates indicated, our loan aging schedule for our gross loans and advances to customers.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)			
Current loans .....	13,947,373	97.99%	15,149,973	98.25%
Loans past due <sup>(1)</sup> for:				
1 to 90 days.....	107,218	0.75%	91,153	0.59%
91 days to 1 year .....	68,209	0.48%	83,846	0.54%
1 to 3 years.....	80,919	0.57%	63,010	0.41%
Over 3 years.....	29,729	0.21%	31,923	0.21%
Subtotal.....	286,075	2.01%	269,932	1.75%
Gross loans and advances to customers.....	14,233,448	100.00%	15,419,905	100.00%

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Note:

- (1) Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by instalments, the total amount of loans is deemed overdue if part of the instalments is overdue.

The proportion of our loans and advances to customers that were deemed overdue was 2.01 per cent. as at 31 December 2017. As at 31 December 2018, the proportion of our loans and advances to customers that were deemed overdue decreased to 1.75 per cent.

### ***Allowance for Impairment Losses on Loans and Advances to Customers***

For the years ended 31 December 2016 and 31 December 2017, we assessed our loans and advances to customers for impairment, determine the level of allowance for impairment losses and recognise any related provisions made in a period based on the guidelines for impairment under IAS 39. Our loans and advances to customers were reported net of the allowance for impairment losses on our consolidated statement of financial position. With respect to corporate loans, where there was objective evidence of possible impairment as a result of events occurring after the initial recognition of loans that may affect the estimated future cash flows of the loans, we performed assessments on such loans to determine the allowance for impairment losses. The allowance for impairment losses of each of the loans was measured as the difference between the carrying value and the estimated recoverable amounts of the loans. The estimated recoverable amounts represent the present value of the estimated future cash flows of the loans, including, among others, the recoverable value of the collateral. Corporate and personal loans classified as pass and special mention, for which no evidence of impairment had been identified, were assessed collectively for the purpose of determining the allowance for impairment losses. The allowance for impairment losses of collectively assessed loans was determined primarily based on our historical loss experience in similar portfolios and the prevailing economic conditions.

From 1 January 2018, we adopted IFRS 9 which introduced new requirements for measurement of impairment for financial assets. The new impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss (“ECL”)” model. Under the ECL model, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Instead, we are required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances which results in an early recognition of credit losses. For the year ended 31 December 2018, except for credit-impaired corporate loans and advances to customers, we continued to measure our ECL based on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. For the impairment loss on credit-impaired corporate loans and advances to customers, we applied the cash flow discount method. The amount of the impairment loss on credit-impaired corporate loans and advances is measured as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate, and the allowance for impairment loss is deducted in the carrying amount.

For a description of our methods in calculating the estimated recoverable amount of loans, see Notes 3(6) and 51(a) to our audited consolidated financial statements as at and for the year ended 31 December 2018, incorporated by reference in this Offering Circular.

### ***Changes to the Allowance for Impairment Losses***

The following table sets forth the changes to our allowance for impairment losses on loans and advances to customers measured at amortised cost for the year ended 31 December 2018:



	Stage 1	Stage 2	Stage 3	Total
		<i>(in RMB millions)</i>		
<b>As at 1 January 2018</b> .....	107,961	111,867	152,770	372,598
Transfer: .....				
To stage 1:.....	19,393	(17,976)	(1,417)	—
To stage 2:.....	(4,901)	5,493	(592)	—
To stage 3:.....	(2,869)	(40,413)	43,282	—
Charge .....	38,217	24,083	85,074	147,374
Write-offs and transfer out.....	(338)	(2,294)	(106,146)	(108,778)
Recoveries of loans and advances				
previously written off .....	—	—	2,141	2,141
Other movements.....	621	646	(1,871)	(604)
<b>As at 31 December 2018</b> .....	158,084	81,406	173,241	412,731

The following table sets forth the changes to our allowance for impairment losses on loans and advances to customers for the year 31 December 2017:

	Individually Assessed	Collectively Assessed	Total
		<i>(in RMB millions)</i>	
<b>As at 1 January 2017</b> .....	65,557	223,955	289,512
Impairment loss.....	108,983	15,113	124,096
Impairment allowances charged .....	158,352	135,679	294,031
Impairment allowances transferred.....	1,399	(1,399)	-
Reversal of impairment allowances .....	(50,768)	(119,167)	(169,935)
Accreted interest on impaired loans <sup>(1)</sup> .....	(3,189)	-	(3,189)
Recoveries of loans and advances previously written off.....	1,426	838	2,264
Write-offs and other movements.....	(57,031)	(15,170)	(72,201)
<b>As at 31 December 2017</b> .....	<b>115,746</b>	<b>224,736</b>	<b>340,482</b>

Note:

- (1) Represents the increase in the present value of loans after impairment that is due to the passage of time, which we recognise as interest income.

Our allowance for impairment losses on loans as at 31 December 2018 was RMB413,177 million, an increase of RMB72,695 million, or 21.4 per cent., from RMB340,482 million as at 31 December 2017. This increase was primarily due to RMB294,031 million in impairment allowances charged as a result of increases in the total size of our loan portfolio, requiring greater provisions for potential impairment losses.

## Investment

Our investment portfolio consists of listed and unlisted Renminbi-denominated and foreign currency-denominated securities and other financial assets. Investment represented 22.1 per cent. and 24.4 per cent., respectively, of our total assets as at 31 December 2017 and 2018. As at 31 December 2018, our financial

investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost amounted to RMB805,347 million, RMB1,430,163 million and RMB4,519,182 million, respectively. As at 31 December 2017, we classified our investments into (i) receivables, (ii) held-to-maturity investments, (iii) available-for-sale financial assets, (iv) financial assets designated at fair value through profit or loss and (v) financial assets held for trading, primarily based on our intentions with respect to these assets and pursuant to the requirements of IAS 39. As at 31 December 2018, we classified our financial investments in accordance with the new requirements for the classification and measurement of financial investments set out in IFRS 9. For detailed information on the change in accounting policies, please refer to Note 2(3) of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018.

Our investment portfolio increased by 2.3 per cent. from RMB5,756,704 million as at 31 December 2017 to RMB6,754,692 million as at 31 December 2018. In 2018, we continued to improve the bond portfolio investment structure and expanded our investment scale on the basis of guaranteeing liquidity and controllable risk.

#### ***Distribution of Our Investment by Investment Category***

The following table sets forth, as at the dates indicated, the distribution of our investments by category.

<b>As at 31 December</b>				
	<b>2017</b>		<b>2018</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
	<i>(in RMB millions, except percentages)</i>			
Bonds.....	5,373,733	93.4%	6,049,076	89.6%
Equity instruments.....	19,073	0.3%	57,909	0.9%
Funds and others.....	363,898	6.3%	563,346	8.3%
Accrued interest.....	—	—	84,361	1.2%
<b>Total investment</b> .....	<b>5,756,704</b>	<b>100.0%</b>	<b>6,754,692</b>	<b>100.0%</b>

#### ***Debt Instruments***

Our debt instruments consist of debt securities issued primarily by governments, central banks, policy banks and other institutions.

The following table sets forth, as at the dates indicated, the distribution of our investment in bonds by issuer type.

	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
	<i>(in RMB millions, except percentages)</i>			
Government bonds.....	3,286,729	61.2%	4,040,956	66.9%
Central bank bills.....	18,902	0.4%	32,746	0.5%
Policy bank bonds.....	996,669	18.5%	774,732	12.8%

Other bonds <sup>(1)</sup> .....	1,071,433	19.9%	1,200,642	19.8%
<b>Total investment in bonds</b> .....	<b>5,373,733</b>	<b>100.0%</b>	<b>6,049,076</b>	<b>100.0%</b>

Note:

(1) Consists of debt instruments issued by other financial institutions, corporate bonds and debt instruments issued by public entities. Our investment in bonds increased by 12.57 per cent. from RMB5,373,733 million as at 31 December 2017 to RMB6,049,076 million as at 31 December 2018. In the reporting period, the Bank stepped up the allocation to government bonds based on the bond market supply.

*Distribution of investment in bonds by remaining maturity*

The following table sets forth, as at the dates indicated, the distribution of our investment in bonds by remaining maturity.

	As at 31 December		As at 31 December	
	2017		2018	
	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)			
Undated <sup>(1)</sup> .....	-	0.0%	54	0.0%
Less than 3 months .....	281,658	5.2%	255,716	4.2%
3 to 12 months .....	561,566	10.5%	660,914	10.9%
1 to 5 years .....	2,819,961	52.5%	3,319,674	54.9%
Over 5 years.....	1,710,548	31.8%	1,812,718	30.0%
<b>Total investment in bonds</b> .....	<b>5,373,733</b>	<b>100.0%</b>	<b>6,049,076</b>	<b>100.0%</b>

Note:

(1) Refers to impaired bonds.

As at 31 December 2018, bonds within 1-year maturity increased by RMB73,460 million from the end of the previous year, representing an increase of 8.71 per cent. year-on-year, and bonds beyond 5-year maturity grew by RMB102,170 million or 6.0 per cent year-on-year.

*Distribution of investment in bonds by currency*

The following table sets forth, as at the dates indicated, the distribution of our investment in bonds by currency.

	As at 31 December		As at 31 December	
	2017		2018	
	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)			
RMB-denominated bonds .....	4,945,340	92.0%	5,547,079	91.7%
U.S. dollar-denominated bonds.....	295,590	5.5%	356,034	5.9%
Other foreign currency bonds .....	132,803	2.5%	145,963	2.4%
<b>Total investment in bonds</b> .....	<b>5,373,733</b>	<b>100.0%</b>	<b>6,049,076</b>	<b>100.0%</b>

As at 31 December 2018, RMB-denominated bonds increased by RMB601,739 million, or 12.2 per cent., U.S. dollar-denominated bonds increased by the equivalent of RMB60,444 million, or 20.4 per cent., and other foreign currency bonds increased by the equivalent of RMB13,160 million or 9.9 per cent., as compared to 31 December 2017.

#### *Investment in bonds related to restructuring*

During the period from 1999 to 2001, we disposed of non-performing assets with a book value of RMB407.7 billion to Huarong and received 10-year non-transferrable bonds issued by Huarong with a nominal value of RMB313.0 billion as well as RMB94.7 billion in cash as consideration. Huarong is a wholly state-owned non-bank financial institution that has been approved by the State Council and was established in October 1999 primarily to acquire and manage non-performing assets from large commercial banks, including us. The Huarong Bonds have a fixed interest rate of 2.25 per cent. per annum.

During the period from 2010 to 2011, the Huarong Bonds held by us matured. In accordance with the “Letter from MOF in Respect of the Bonds Issued by Huarong held by Industrial and Commercial Bank of China” (Cai Jin Han [2010] No. 105), the MOF agreed that the term of the Huarong Bonds held by us would be extended for 10 years after their expiration, the terms of the bonds such as the interest rate would remain unchanged and the MOF would continue its support for the principal and interest payments in relation to the Huarong Bonds held by us. During the years ended 31 December 2017 and 2018, we received early repayment of RMB222,687 million and RMB222,687 million accumulated, respectively, under the Huarong Bonds.

#### *Equity Instruments*

As at 31 December 2017 and 31 December 2018, equity instruments amounted to RMB19,073 million and RMB57,909 million respectively.

### **Other Components of Our Assets**

Other components of our assets primarily consist of (i) cash and balances with central banks, (ii) due from banks and other financial institutions, net and (iii) reverse repurchase agreements.

Cash and balances with central banks primarily consist of cash on hand, mandatory reserve deposits, which consist of statutory reserve deposits with the PBOC, surplus reserve deposits and other restricted deposits. The amount of cash and balances with central banks decreased by 6.7 per cent. from RMB3,613,872 million as at 31 December 2017 to RMB3,372,576 million as at 31 December 2018.

Due from banks and other financial institutions consists primarily of Renminbi-denominated and foreign currency-denominated inter-bank deposits and money-market placements with banks and other financial institutions. Due from banks and other financial institutions, net of allowances for impairment losses, increased by 13.5 per cent. from RMB847,611 million as at 31 December 2017 to RMB962,449 million as at 31 December 2018.

Amounts due under reverse repurchase agreements are purchases of assets under agreements to resell equivalent assets. Our financial assets held under reverse repurchase agreements decreased from RMB986,631 million as at 31 December 2017 by 25.6 per cent. to RMB734,049 million as at 31 December 2018.

### **LIABILITIES AND SOURCES OF FUNDS**

Our total liabilities as at 31 December 2017 and 2018 amounted to RMB23,945,987 million and RMB25,354,657 million, respectively. Our liabilities comprise primarily (i) due to customers, (ii) due to banks and other financial institutions, (iii) repurchase agreements, (iv) debt securities issued and (v) other liabilities.

The following table sets forth, as at the dates indicated, the components of our total liabilities.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Due to customers .....	19,562,936	81.7%	21,408,934	84.4%
Due to banks and other financial institutions .....	1,706,549	7.1%	1,814,495	7.2%
Repurchase agreements .....	1,046,338	4.4%	514,801	2.0%
Debt securities issued .....	526,940	2.2%	617,842	2.4%
Others <sup>(1)</sup> .....	1,103,224	4.6%	998,585	4.0%
<b>Total liabilities</b> .....	<b>23,945,987</b>	<b>100.0%</b>	<b>25,354,657</b>	<b>100.0%</b>

Note:

- (1) Others primarily consist of financial liabilities designated at fair value through profit or loss, other liabilities, income tax payable, certificates of deposit, derivative financial liabilities, due to central banks and deferred income tax liabilities.

Our total liabilities increased by 5.9 per cent. from RMB23,945,987 million as at 31 December 2017 to RMB25,354,657 million as at 31 December 2018. The increase was primarily due to continuing increases in due to customers and others.

Due to customers is our primary source of funding and represented 81.7 per cent. and 84.4 per cent. of our total liabilities as at 31 December 2017 and 2018, respectively.

### Due to Customers

We provide demand and time deposit products to corporate and personal customers. The following table sets forth, as at the dates indicated, our deposits from customers by business line and maturity term.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
<b>Demand deposits</b>				
Corporate customers .....	6,069,804	31.0%	6,405,136	29.9%
Personal customers .....	3,820,392	19.5%	3,931,182	18.4%
Subtotal.....	9,890,196	50.5%	10,336,318	48.3%
<b>Time deposits</b>				
Corporate customers .....	4,635,661	23.7%	5,076,005	23.7%
Personal customers .....	4,748,525	24.3%	5,505,236	25.7%
Subtotal.....	9,384,186	48.0%	10,581,241	49.4%
Other deposits <sup>(1)</sup> .....	288,554	1.5%	268,914	1.3%

Accrued interest.....	—	—	222,461	1.0%
<b>Total due to customers .....</b>	<b>19,562,936</b>	<b>100.0%</b>	<b>21,408,934</b>	<b>100.0%</b>

Note:

- (1) Includes outward remittance and remittance payables.

As at 31 December 2018, the balance due to customers was RMB21,408,934 million, representing an increase of RMB1,623,537 million, or 9.4 per cent., from the end of the previous year.

In terms of customer structure, as at 31 December 2018, the balance of corporate deposits increased by RMB775,676 million, or 7.2 per cent., from the end of the previous year. As at 31 December 2018, the balance of personal deposits increased by RMB867,501 million, or 10.1 per cent., from the end of the previous year.

In terms of maturity structure, as at 31 December 2018, the balance of time deposits increased by RMB1,197,055 million, or 12.8 per cent., from the end of the previous year. As at 31 December 2018, the balance of demand deposits increased by RMB446,122 million, or 4.5 per cent., from the end of the previous year.

The proportion of corporate deposits over total due to customers decreased from 54.7 per cent. as at 31 December 2017 to 53.6 per cent. as at 31 December 2018.

The proportion of demand deposits over total due to customers decreased from 50.5 per cent. as at 31 December 2017 to 48.3 per cent. as at 31 December 2018.

#### ***Distribution of Due to Customers by Geographic Area***

We classify deposits geographically based on the location of the branch taking the deposit. There is generally a high correlation between the location of the depositor and the location of the branch taking the deposit. The following table sets forth our due to customers by geographic area as at the dates indicated.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Head Office .....	60,261	0.3%	56,304	0.3
Yangtze River Delta .....	3,722,756	19.0%	4,032,866	18.8
Pearl River Delta .....	2,736,614	14.0%	2,726,705	12.7
Bohai Rim.....	5,203,857	26.6%	5,922,781	27.7
Central China.....	2,780,882	14.2%	3,064,753	14.3
Western China .....	3,236,441	16.6%	3,591,835	16.8
Northeastern China .....	1,033,381	5.3%	1,105,344	5.2
Overseas and others .....	788,744	4.0%	908,346	4.2
<b>Total due to customers .....</b>	<b>19,562,936</b>	<b>100.0%</b>	<b>21,408,934</b>	<b>100.0</b>

### ***Distribution of Due to Customers by Remaining Maturity***

The following table sets forth, as at the dates indicated, the distribution of our due to customers by remaining maturity.

	As at 31 December			
	2017		2018	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Demand deposits <sup>(1)</sup> .....	10,701,914	54.7%	11,578,642	54.1%
Less than 3 months .....	2,402,603	12.3%	2,256,966	10.5%
3 to 12 months .....	3,895,490	19.9%	4,978,718	23.2%
1 to 5 years .....	2,549,415	13.0%	2,582,550	12.1%
Over 5 years.....	13,514	0.1%	12,058	0.1%
<b>Total due to customers .....</b>	<b>19,562,936</b>	<b>100.0%</b>	<b>21,408,934</b>	<b>100%</b>

Note:

(1) Includes time deposits payable on demand.

### **Other Components of Our Liabilities**

Other components of our liabilities primarily include (i) due to banks and other financial institutions, (ii) repurchase agreements and (iii) debt securities issued.

Amounts due to banks and other financial institutions refer to deposits by banks and other financial institutions. As at 31 December 2018, our amounts due to banks and other financial institutions increased by 6.3 per cent. to RMB1,814,495 million from RMB1,706,549 million as at 31 December 2017.

Amounts due on repurchase agreements consist primarily of sales of assets under agreements to repurchase equivalent assets. Amounts due on repurchase agreements decreased by 50.8 per cent. from RMB1,046,338 million as at 31 December 2017 to RMB514,801 million as at 31 December 2018, primarily because we appropriately increased funds raised from the public market based on its internal and external liquidity status. Debt securities issued consists of subordinated bonds and other debt securities. Debt securities issued increased by 17.25 per cent. from RMB526,940 million as at 31 December 2017 to RMB617,842 million as at 31 December 2018.

## DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth the particulars of our directors, supervisors and senior management:

Name	Position	Gender	Age
Gu Shu	Executive Director, Vice Chairman, President	Male	50
Zheng Fuqing	Non-executive Director	Male	54
Mei Yingchun	Non-executive Director	Female	46
Dong Shi	Non-executive Director	Male	52
Ye Donghai	Non-executive Director	Male	54
Anthony Francis Neoh	Independent Non-executive Director	Male	71
Yang Siu Shun	Independent Non-executive Director	Male	62
Sheila Colleen Bair	Independent Non-executive Director	Female	63
Shen Si	Independent Non-executive Director	Male	64
Nout Wellink	Independent Non-executive Director	Male	75
Fred Zulu Hu	Independent Non-executive Director	Male	56
Zhang Wei	Shareholder Supervisor	Male	55
Hui Ping	Employee Supervisor	Male	57
Huang Li	Employee Supervisor	Male	53
Qu Qiang	External Supervisor	Male	51
Shen Bingxi	External Supervisor	Male	65
Wang Lin	Secretary of Party Discipline Committee	Male	52
Hu Hao	Senior Executive Vice President	Male	55
Tan Jiong	Senior Executive Vice President	Male	51
Wang Bairong	Chief Risk Officer	Male	55
Guan Xueqing	Board Secretary	Male	54

The business address of each of the directors, supervisors and senior management is No.55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC 100140.

There are no potential conflicts of interest between any duties to the Issuer of the directors listed above and their private interests or other duties.



## **BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

### **Gu Shu, Vice Chairman, President, Executive Director**

Mr. Gu has served as Vice Chairman and Executive Director of the Bank since December 2016, and President since October 2016. He joined the Bank in 1998, where he served as Deputy General Manager of Accounting and Settlement Department, Deputy General Manager of the Planning and Finance Department, and General Manager of Finance and Accounting Department. Since July 2008, he has served as Board Secretary and General Manager of Corporate Strategy and Investor Relations Department, Head of Shandong Branch and Senior Executive Vice President of the Bank. He served concurrently as Vice Chairman of Standard Bank Group Limited, Chairman of ICBC (London) PLC and Chairman of Industrial and Commercial Bank of China (Argentina) S.A. Mr. Gu obtained a Doctorate degree in Economics from Shanghai University of Finance and Economics, a Master's degree in Economics from Dongbei University of Finance and Economics and a Bachelor's degree in Engineering from Shanghai Jiao Tong University. He is a senior accountant.

### **Zheng Fuqing, Non-executive Director**

Mr. Zheng has served as Non-executive Director of the Bank since February 2015. Mr. Zheng joined the MOF in 1989, and served as Deputy Head and Head of Shanxi Finance Ombudsman Office, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office. Mr. Zheng graduated from the Party School of Communist Party of China (the "C.P.C.") majoring in law theory. He is an economist.

### **Mei Yingchun, Non-executive Director**

Ms. Mei has served as Non-executive Director of the Bank since August 2017. Ms. Mei joined the MOF in 1992, and consecutively served in the World Bank Department, the Treasury Department and the Tariff Policy Department. She previously served as Assistant Consultant of the Budget Implementation Division of the Treasury Department of MOF, Assistant Consultant of the Audit & Supervision Division of the Treasury Payment Centre in September 2004, Deputy Director of the Audit & Supervision Division, the Treasury Payment Centre of MOF, Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Deputy Director-General of the Tariff Policy Department (Tariff Policy Research Centre) of MOF, and was seconded to World Bank Group as Senior Advisor, and worked in the Development Partner Relationship Department of the Development Finance Unit, International Development Association, and the Vice-President Front Office of East Asia and Pacific Region of the International Bank for Reconstruction and Development. Ms. Mei obtained a Master's degree in International Affairs from School of International and Public Affairs of Columbia University, and a PhD in Economics from Chinese Academy of Fiscal Science (formerly known as the Institute of Fiscal Science, MOF).

### **Dong Shi, Non-executive Director**

Mr. Dong has served as Non-executive Director of the Bank since August 2017. Mr. Dong joined Huijin in 2008, and served as Deputy Division Chief of the Audit and Supervision Bureau of the People's Bank of China, Assistant Special Inspector of the State Council, Division Chief of the Supervisory Committee of the Working Commission of Central Level State-Owned Enterprises, and Deputy Director-General of the Foreign Affairs Bureau of the State-Owned Assets Supervision and Administration Commission and Director of China Reinsurance (Group) Corporation and Director of China Reinsurance Asset Management Co., Ltd. and Non-executive Director of China Construction Bank Corporation. He currently serves as Non-executive Director of China Securities Co., Ltd. He has made a study visit to the US Federal Reserve and Royal Melbourne Institute of Technology. Mr. Dong graduated from Renmin University of China and obtained a Master's degree in Economic Law. He is a senior economist and an accountant.

**Ye Donghai, Non-executive Director**

Mr. Ye has served as Non-executive Director of the Bank since October 2017. Mr. Ye joined Huijin in 2017. Previously, he served as Section Chief and Deputy Director General of the Finance Division of Beijing Normal University, Assistant General Manager (Deputy General Manager level) of the Planning and Finance Department of China Everbright Bank, Deputy General Manager of the Finance and Accounting Department of China Everbright Bank (in charge of the department's work), Vice President and member of the CPC Committee of China Everbright Bank Tianjin Branch, Deputy General Manager of the Audit Department of China Everbright Bank (in charge of the department's work) and General Manager of the Audit Department of China Everbright Bank. He served concurrently as Employee Supervisor of the Board of Supervisors of China Everbright Bank. Mr. Ye Donghai graduated from Renmin University of China, and obtained a Master's degree in Economics. He is a senior accountant.

**Anthony Francis Neoh, Independent Non-executive Director**

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited and China Life Insurance Company Limited. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and New China Life Insurance Company Limited. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

**Yang Siu Shun, Independent Non-executive Director**

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers and Chairman of PricewaterhouseCoopers Asia-Pacific region. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club, Vice Chairman of the Council of the Open University of Hong Kong, director and chairman of the Audit Committee of Hang Seng Management College, and an independent non-executive director of the Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He holds the qualification of the Association of Chartered Certified Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

**Sheila Colleen Bair, Independent Non-executive Director**

Ms. Bair has served as Independent Non-executive Director of the Bank since March 2017. Previously, she served as the Research Director, Deputy Counsel and Counsel to Robert Dole. She was President of Washington College, a Commissioner of the Commodity Futures Trading Commission, later served as a senior vice president

for government relations at the New York Stock Exchange, and then as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury. She was the Dean's Professor of Financial Regulatory Policy at the University of Massachusetts-Amherst, Chair of the Federal Deposit Insurance Corporation and Senior Advisor to The Pew Charitable Trusts. She is the current Chair Emeritus of the Systemic Risk Council. She is a founding board member of The Volcker Alliance, a non-profit organisation. She is Independent Non-Executive Director of Thomson Reuters Corp., Host Hotels & Resort Inc., Avant Inc., Paxos Trust Company, LLC and its holding company Kabompo Holdings, Ltd. She also serves on the International Advisory Council to CBIRC and the International Advisory Board for Santander. She received a Bachelor's Degree in philosophy from the University of Kansas, and a juris doctorate from the University of Kansas School of Law. She holds honorary doctorates from Amherst College, Drexel University, the University of Kansas, and the University of Massachusetts.

#### **Shen Si, Independent Non-executive Director**

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of the Zhejiang Branch of the People's Bank of China, Deputy General Director of the Investigation and Statistics Department of the Head Office of the People's Bank of China, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He had participated in important events in Shanghai Pudong Development Bank such as its initial public offering, four issues of new shares, acquisition of credit cooperative and its formation of strategic partnership with Citibank. He obtained a Master's degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

#### **Fred Zulu Hu, Independent Non-executive Director**

Mr. Hu has served as Independent Non-Executive Director of the Bank since April 2019. Mr. Hu currently serves in various positions such as the Chairman of Primavera Capital Group, the Non-Executive Chairman of Yum China Holdings, Inc, the Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited, the Director of UBS Group AG, the Independent Director of Dalian Wanda Commercial Management Group Co., Ltd., the Non-Executive Director of China Asset Management Co., Ltd. and the Independent Director of Minsheng Financial Leasing Co., Ltd. and is the Co-Chair of The Nature Conservancy's Asia Pacific Council and the Director of the China Medical Board. Mr. Hu is also a member of the Global Board of Advisors for the Council on Foreign Relations, the 21st Century Council of the Berggruen Institute, the Advisory Committee for the Harvard China Fund, the Harvard Kennedy School Mossavar-Rahmani Center for Business and Government, the Stanford Center for International Development, and the Jerome A. Chazen Institute of International Business at Columbia University. Mr. Hu concurrently serves as the Co-Director of the National Center for Economic Research and a Professor at Tsinghua University, and he is also an Adjunct Professor at the Chinese University of Hong Kong and Peking University. Mr. Hu previously served as a Senior Economist at the International Monetary Fund from 1991 to 1996, Head of Research at the World Economic Forum from 1996 to 1997, the Chairman for Greater China and a Partner at Goldman Sachs Group Inc. from 1997 to 2010, an Independent Non-Executive Director of Great Wall Pan Asia Holdings Limited (formerly known as SCMP Group Limited) from 2010 to 2016 and an Independent Non-Executive Director of Hang Seng Bank Limited from 2011 to May 2018. Mr. Hu obtained a masters degree in engineering science from Tsinghua University in 1986, and a masters degree and a PhD in economics from Harvard University in 1991.

#### **Nout Wellink, Independent Non-executive Director**

Mr. Wellink has served as Independent Non-executive Director of the Bank since December 2018. He served as a member of the Executive Board of the Dutch Central Bank ("DNB") for almost 30 years, with the last 14 years as its President until retirement from DNB on 1 July 2011. DNB is part of the European System of Central Banks since 1999, but is still responsible for supervising the Dutch 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. 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. He also served as Independent Director of Bank of China Limited and the Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V.. 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 Emeritus Professor at the Free University in Amsterdam. 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.

#### **Zhang Wei, Shareholder Supervisor**

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of the Bank since June 2016. He joined the Bank in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

#### **Hui Ping, Employee Supervisor**

Mr. Hui has served as Employee Supervisor of the Bank since September 2015. He joined the Bank in 1984 and has served as Deputy Secretary of the Party Discipline Committee and concurrently as Director of the Discipline Enforcement Department since 2015. He was Deputy Head and Head of Shaanxi Branch and General Manager of the Internal Control and Compliance Department of the Bank. Mr. Hui graduated from Xiamen University and received a Doctorate degree in Finance. He is a senior economist.

#### **Huang Li, Employee Supervisor**

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined the Bank in 1994 and is currently the General Manager of the Internal Audit Bureau of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of the Bank from December 1998 to June 2015. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

#### **Qu Qiang, External Supervisor**

Mr. Qu has served as External Supervisor of the Bank since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Center (a key research center of humanities and social sciences of the Ministry of Education), Deputy Director of Financial and Securities Institute of Renmin University of China, a council member of China Finance Society, a member of China Finance 40 Forum and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China, and received a Doctorate degree in Economics.

**Shen Bingxi, External Supervisor**

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Vice Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

**Wang Lin, Secretary of Party Discipline Committee**

Mr. Wang has served as Secretary of Party Discipline Committee of the Bank since July 2015. He began his career in 1987. Prior to joining the Bank, he once served as Director of Fund Supervision Department and Director of Securities and Fund Institution Supervision Department of CSRC. Mr. Wang graduated from Tsinghua University, and received a Doctorate degree in Management.

**Hu Hao, Senior Executive Vice President**

Mr. Hu has served as Senior Executive Vice President of the Bank since November 2015. Mr. Hu joined the Bank in 1984, serving successively as Deputy General Manager of the Industrial and Commercial Credit Department, Deputy General Manager of the Credit Management Department, General Manager of the Institutional Banking Department, General Manager of the International Banking Department, President of Chinese Mercantile Bank and Chairman of Industrial and Commercial Bank of China Luxembourg S.A. Besides, he once served as Deputy Director-General of Construction and Administration Bureau of South-to-North Water Diversion Middle Route Project, a Director of Taiping General Insurance Company Limited, Taiping Life Insurance Co., Ltd. and Xiamen International Bank, General Manager of Corporate Strategy and Investor Relations Department and Board Secretary of the Bank. He concurrently serves as Vice Chairman of Standard Bank Group Limited and Chairman of ICBC (London) PLC. Mr. Hu graduated from Hunan University, and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He is a researcher.

**Tan Jiong, Senior Executive Vice President**

Mr. Tan has served as Senior Executive Vice President of the Bank since January 2017. He joined Bank of China (“BOC”) in June 1988. He previously served as Deputy General Manager (person in charge) and General Manager of Tibet Branch, and General Manager of Yunnan Branch of BOC, Chairman of Bank of China Investment Management Co., Ltd. and General Manager of Guangdong Branch. Mr. Tan graduated from Wuhan University and obtained a Doctorate degree in Economics. He is a senior economist.

**Wang Bairong, Chief Risk Officer**

Mr. Wang has served as Chief Risk Officer of the Bank since July 2016. He began his career in 1986. Mr. Wang joined the Bank in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, and Deputy Head (person in charge) and Head of Chongqing Branch. Mr. Wang graduated from the Party School of the Central Committee of C.P.C. and obtained a Master's degree in Economics. He is a senior economist.

**Guan Xueqing, Board Secretary**

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined the Bank in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of the Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch.

Previously Mr. Guan was also General Manager of the Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

## **CORPORATE GOVERNANCE**

We have made consistent efforts to improve our corporate governance and checks and balances mechanisms, which comprise the Shareholders' general meeting, the Board, the board of supervisors and the senior management, by clearly defining responsibilities and accountability, coordinating effective checks and balances and optimising responsibilities of the authority, decision-making, supervisory and executive bodies within the Bank. As a result of these efforts, we have established a corporate governance operation mechanism featuring a scientific decision-making process, effective supervision and steady operation.

### **Shareholders' General Meeting**

The Shareholders' general meeting is responsible for, among others, deciding on business policies and material investment plans of the Bank; considering and approving the proposals on the annual financial budget, final accounts, profit distribution plans and loss recovery plans; electing and changing directors, shareholder supervisors and external supervisors; considering and approving the work report of the Board and the work report of the board of supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of registered capital, issuance and listing of corporate bonds or other negotiable securities and repurchase of stocks; and amending the Articles of Association of the Bank.

### **Board of Directors**

#### ***Responsibilities of the Board of Directors***

As the decision-making body of the Bank, the Board is accountable to, and shall report to, the Shareholders' general meeting. The Board is responsible for, among others, convening the Shareholders' general meeting; implementing resolutions of the Shareholders' general meeting; deciding on business plans, investment plans and development strategies of the Bank; formulating annual financial budgets and final accounts of the Bank; formulating profit distribution plans and loss recovery plans; formulating proposals on the increase or decrease of registered capital of the Bank; formulating fundamental management rules on risk management and internal control and supervising the implementation of these rules; appointing or removing the president and the Board secretary, based on the president's nomination, appointing or removing senior executive vice presidents and other senior management members (except the Board secretary) and deciding on their remuneration, rewards and sanctions; deciding or authorising the president to set up relevant internal institutions of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure matters of the Bank; and supervising and ensuring effective performance of management responsibilities of the president and other senior management members.

#### ***Board Committees***

The Board delegates certain responsibilities to various committees. In accordance with relevant PRC laws and regulations, we have formed strategy, audit, risk management, nomination and compensation committees and a related party transactions control committee.

#### ***Strategy Committee***

The Strategy Committee is mainly responsible for considering our strategic development plan, business and institutional development plan, major investment and financing plan and other major matters critical to our development, making recommendations to the Board, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are

compliant with our corporate governance criteria. Our Strategy Committee consists of nine directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Ms. Sheila Colleen Bair, Mr. Anthony Francis Neoh, Mr. Fred Zulu Hu and Mr. Nout Wellink; Non-executive Directors Mr. Ye Donghai, Mr. Zheng Fuqing, Ms. Mei Yingchun and Mr. Dong Shi. Independent Non-executive Director Ms. Sheila Colleen Bair is the vice chairman of the committee.

#### *Audit Committee*

The Audit Committee is mainly responsible for supervising, inspecting and evaluating internal control, financial information and internal audit and assessing mechanisms for our staff to report misconducts in financial statements, internal control, etc. and for the Bank to make independent and fair investigations and take appropriate actions. Our Audit Committee consists of six directors, including Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Shen Si and Mr. Yang Siu Shun; Non-executive Directors Mr. Fred Zulu Hu, Mr. Nout Wellink and Mr. Ye Donghai. Independent Non-executive Director Mr. Shen Si is the chairman of the committee.

#### *Risk Management Committee*

The Risk Management Committee is primarily responsible for reviewing and revising our strategy, policy and procedures of risk management and internal control process, and supervising and evaluating the performance of Senior Management members and the risk management department in respect of risk management. It concurrently serves as the US risk committee in accordance with the relevant requirements in the Enhanced Prudential Standards on Bank Holding Companies and Foreign Banking Organisation established by the Federal Reserve Board. Our Risk Management Committee consists of six directors, including Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si and Ms. Sheila Colleen Bair; Non-executive Director Mr. Zheng Fuqing and Mr. Dong Shi. Independent Non-executive Director Mr. Anthony Francis Neoh is the chairman of the committee.

#### *Nomination Committee*

The Nomination Committee is mainly responsible for making recommendations to the Board on candidates for directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board, and formulating the standards and procedures for selection and appointment of directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board on a yearly basis and making recommendations to the Board based on our development strategy. Our Nomination Committee consists of six directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Ms. Sheila Colleen Bair, Mr. Anthony Francis Neoh, Mr. Fred Zulu Hu and Mr. Yang Siu Shun; Non-executive Director Mr. Ye Donghai. Independent Non-executive Director Mr. Fred Zulu Hu is the chairman of the committee.

#### *Compensation Committee*

The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties for directors, organising the assessment on the performance of duties of Directors, putting forth proposals on remuneration distribution for Directors, putting forth proposals on remuneration distribution for Supervisors based on the performance assessment on Supervisors carried out by the board of supervisors, formulating and reviewing the assessment measures and compensation plans for Senior Management members and evaluating the performance and behaviours of Senior Management members. Our Compensation Committee consists of seven directors, including Executive Director Mr. Gu Shu; and Independent Non-executive Directors Mr. Anthony Francis Neoh, Ms. Sheila Colleen Bair, Mr. Shen Si and Mr. Nout Wellink and Non-executive Directors Ms. Mei Yingchun and Mr. Dong Shi. Independent Non-executive Director Mr. Nout Wellink is the chairman of the committee.

### *Related Party Transactions Control Committee*

We established our related party transactions control committee in accordance with applicable PRC laws, regulations and rules. The Related Party Transactions Control Committee is mainly responsible for identifying the Bank's related parties, examining major related party transactions, and receiving related party transaction statistics and reporting information of general related party transactions. Our Related Party Transactions Control Committee consists of three directors, being Independent Non-executive Directors Mr. Yang Siu Shun, Mr. Shen Si and Mr. Nout Wellink. Independent Non-executive Director Mr. Yang Siu Shun is the chairman of the committee.

## **Board of Supervisors**

### *Responsibilities of the Board of Supervisors*

As the supervisory body of the Bank, the board of supervisors is accountable to, and shall report to, the Shareholders' general meeting. The board of supervisors is responsible for, among others, supervising the performance and due diligence of directors and senior management members; supervising the performance of duties of the Board and the senior management; conducting audits on retiring or resigning directors and senior management members where appropriate; examining and supervising the Bank's financial activities; examining financial information such as financial reports, business reports and profit distribution plans to be submitted to the Shareholders' general meeting by the Board; examining and supervising business decisions, risk management and internal control of the Bank and providing guidance for the internal audit departments of the Bank; formulating performance assessment measures for supervisors, assessing the performance and conduct of supervisors and reporting to the Shareholders' general meeting for approval; presenting proposals to the Shareholders' general meeting; proposing to convene extraordinary general meetings and convening and presiding over such meetings in case the Board fails to perform its duty of convening Shareholders' general meeting; and proposing to convene interim meetings of the Board.

### *Operation of the Board of Supervisors*

The board of supervisors convenes regular and special meetings to discuss official matters. Regular meetings shall be held at least four times a year. There is a supervisory board office under our board of supervisors that functions in accordance with authorisation from our board of supervisors and reports to our board of supervisors. The supervisory board office under the board of supervisors is its day-to-day administrative organ. It is responsible for supervising and scrutinising matters such as corporate governance, financial activities, risk management and internal control of the Bank; for organising meetings of the board of supervisors and its special committee; and for preparing meeting documents and minutes for the meetings.

### *Supervision Committee*

As the special committee of the board of supervisors established pursuant to the Articles of Association of the Bank, the Supervision Committee operates in accordance with the authorisation of the board of supervisors and is accountable to the board of supervisors. The Supervision Committee is mainly responsible for formulating plans for the inspection and supervision of financial activities of the Bank; formulating plans for the audits on retiring or resigning Directors, Presidents and other Senior Management members; formulating plans for the audits on business policies, risk management and internal control of the Bank when necessary; providing comments after review of the financial report of the Bank and reporting to the board of supervisors; reviewing the investigation report on significant events in the annual operation and financial status of the Bank submitted by the Supervisory Board Office, and reporting to the board of supervisors; giving comments on the performance assessment of directors and Senior Management members, and reporting to the board of supervisors; giving opinions on the assessment of the development and implementation of risk management and internal control system, and reporting to the board of supervisors; and other functions and duties as may be



authorised by the board of supervisors. The Supervision Committee consists of five Supervisors, including Mr. Zhang Wei, Mr. Hui Ping, Mr. Huang Li, Mr. Qu Qiang and Mr. Shen Bingxi.

## PRINCIPAL SHAREHOLDERS

As at 31 March 2019, the total number of our Shareholders (number of holders of A Shares and H Shares on the register of shareholders as at 31 March 2019) was 599,370, of which there were 122,958 H Shareholders and 476,412 A Shareholders.

The table below sets out the particulars of our top 10 Shareholders as at 31 March 2019.

Name of shareholder	Nature of shareholder	Class of shares	Share-holding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Increase/decrease of shares during the reporting period
Central Huijin Investment Ltd. ....	State-owned	A share	34.71	123,717,852,951	None	—
Ministry of Finance of the People's Republic of China .....	State-owned	A share	34.60	123,316,451,864	None	—
HKSCC Nominees Limited/Hong Kong Securities Clearing Company Limited <sup>(3)</sup> .....	Foreign legal person	H share <sup>(1)</sup> A share	24.17 0.20	86,150,493,409 953,842,204	Unknown None	(1,170,925) 80,691,966
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products .....	Other entities	A share	1.03	3,687,330,676	None	—
China Securities Finance Co., Ltd. ....	State-owned legal person	A share	0.68	2,416,131,564	None	—
Sycamore Investment Platform Co., Ltd. ....	State-owned legal person	A share	0.40	1,420,781,042	None	—
Central Huijin Asset Management Co., Ltd. <sup>(4)</sup> .....	State-owned legal person	A share	0.28	1,013,921,700	None	—
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu .....	Other entities	A share	0.18	632,762,709	None	(112,952,448)
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu .....	Other entities	A share	0.17	606,111,321	None	(394,733,931)
SSE 50 Exchange Traded Open-End Index Securities Investment Fund of ICBC Credit Suisse Asset Management Co., Ltd. ....	Other entities	A share	0.05	179,439,759	None	(51,073,500)

Notes:

- (1) The above data are based on the Bank's register of shareholders as at 31 March 2019.
- (2) The Bank had no shares subject to restrictions on sales.
- (3) HKSCC Nominees Limited held 86,150,493,409 H shares and Hong Kong Securities Clearing Company Limited held 953,842,204 A shares.
- (4) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Both the "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" and the "China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu" are managed by China Life Insurance Company Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

### **Particulars of Controlling Shareholders**

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing, its unified social credit code is 911000007109329615, and its legal representative is Ding Xuedong. Huijin is a wholly-owned subsidiary of China Investment Corporation. It, in accordance with authorisation by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls. As at 31 March 2019, Huijin held approximately 34.71 per cent. shares of the Bank.

The second single largest shareholder of the Bank is MOF, which held approximately 34.60 per cent. shares of the Bank as at 31 March 2019. MOF is a department under the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the financial and taxation policies, and supervising State finance at a macro level.

## **TAXATION**

*The following is a general description of certain tax considerations relating to the Notes and is based on law 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 neither the Issuer 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.

### **LUXEMBOURG**

*The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Investors should consult their professional advisers.*

### **WITHHOLDING TAX**

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

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

### **INCOME TAXATION ON PRINCIPAL, INTEREST, GAINS ON SALES OR REDEMPTION**

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

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

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

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

#### **Taxation of Luxembourg residents**

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

Interest received by an individual resident in Luxembourg is, in principle, reportable and taxable at the progressive rate unless the interest has been subject to withholding tax (see above "Withholding Tax") or to the self-applied tax, if applicable. Indeed, in accordance with the Luxembourg law of December 23, 2005, as amended, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-

declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg or a Member State of the European Economic Area other than an EU Member State.

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

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

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

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

## **NET WEALTH TAX**

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

## **OTHER TAXES**

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

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

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

## **PRC**

*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 advisers 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.*

According to the PRC Enterprise Income Tax Law and the relevant implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including notes offered, transferred and/or sold by enterprises established within the territory of China to non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. However, the tax charged on interest paid on the notes to non-PRC Noteholders who are residents of Hong Kong is 7 per cent. of the gross amount of the interest, pursuant to the double taxation arrangement between China and Hong Kong.

According to the arrangement for avoidance of double taxation between the PRC and Hong Kong, both Hong Kong resident enterprises and Hong Kong resident individuals will not be subject to the PRC income tax in respect of the revenue from the sale or exchange of the Notes. However, pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law and the relevant implementation rules, it remains uncertain as to whether other non-PRC resident Note investors shall be subject to the PRC income tax in respect of the revenue from the sale or exchange of the Notes. Should the PRC tax authority deem the gains of the non-PRC residents generated from the sale or exchange of the Notes as income sourced within the PRC, the non-PRC resident Noteholders other than Hong Kong residents may be subject to the enterprise income tax at rate of 10 per cent. for non-PRC resident enterprises, or individual income tax at 20 per cent. for non-PRC resident individuals, respectively, unless otherwise provided in other preferential taxation policies under special taxation arrangements.

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.

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” (as defined by FATCA) 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 issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the PRC and the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would

generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in 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 the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to 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 the 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 the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

### OVERVIEW OF DEALER AGREEMENT

The Dealers have, in an amended and restated dealer agreement (the “Dealer Agreement”) dated 4 January 2019, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Forms of the Notes” and “Terms and Conditions of the Notes”. The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Where the Issuer 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. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for 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.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. 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 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 dealers 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 Tranche of Notes.

In connection with each Tranche of Notes issued under the Programme, the Dealers 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 the Issuer, the Bank or its subsidiaries or affiliates at the same time as the offer and sale of each Tranche 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 Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

In addition, the Dealers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Bank and/or its subsidiaries or affiliates, from time to time, for which they have received customary fees and



expenses. The Dealers and their subsidiaries or affiliates may, from time to time, engage in transactions and perform services for the Issuer, the Bank and/or its subsidiaries and affiliates in the ordinary course of their business. If a jurisdiction requires that the offering is made by a licensed broker or dealer and a relevant dealer or any affiliate of the relevant dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant dealer or such affiliate on behalf of the Issuer (as defined below) in such jurisdiction.

## **SELLING RESTRICTIONS**

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or if Category 2 is specified in the Pricing Supplement to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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 U.S. Internal Revenue Code of 1986 (the “Code”) and regulations promulgated thereunder. The applicable Pricing Supplement will identify whether the TEFRA C Rules or TEFRA D Rules apply or whether TEFRA is not applicable.

If Category 2 is specified in the Pricing Supplement, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree 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 commencement of the offering or closing date of an identifiable tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out 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. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Accordingly, if Category 1 is specified in the Pricing Supplement, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

*Where the relevant Pricing Supplement for Bearer Notes specifies that the TEFRA D Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of the TEFRA D Rules. Where the relevant Pricing Supplement for Bearer Notes specifies that the TEFRA C Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of TEFRA C Rules. Where the relevant Pricing Supplement specifies that*

*TEFRA is not applicable, the Notes will not be issued in accordance with the provisions of either the TEFRA D Rules or the TEFRA C Rules.*

### **The TEFRA D Rules**

Where the TEFRA D Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, to the Issuer that:

- (a) ***Restrictions on offers etc.:*** except to the extent permitted under the TEFRA D Rules:
  - (i) *No offers etc. to United States or United States persons:* it has not offered or sold, and during the restricted period will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person; and
  - (ii) *No delivery of definitive Notes in the United States:* it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes sold during the restricted period;
- (b) ***Internal procedures:*** it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) ***Additional provision if United States person:*** if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010);
- (d) with respect to each affiliate of such Dealer that acquires Notes from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, to the Issuer that it will obtain from such affiliate for the benefit of the Issuer the representations, warranties and undertakings contained in paragraph (a) (Restrictions on offers, etc.), paragraph (b) (Internal procedures) and paragraph (c) (Additional provision of United States person) above; and
- (e) each Dealer represents that it has not and agrees that it will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and that party's agreement to comply with, the provisions of paragraph (a) (*Restrictions on offers etc.*), paragraph (b) (*Internal procedures*), paragraph (c) (*Additional provision of United States person*), and paragraph (d) above.

### **The TEFRA C Rules**

Where the TEFRA C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented, warranted and undertaken,

and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, to Issuer that, in connection with the original issuance of the Notes:

- (a) ***No offers etc. in United States:*** it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (b) ***No communications with United States:*** it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

### **Interpretation**

Terms used in the paragraphs “*The TEFRA D Rules*” and “*The TEFRA C Rules*” have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations promulgated thereunder, including the TEFRA C Rules and the TEFRA D Rules.

### **Index-, commodity- or currency-linked Notes**

Each issuance of index-, commodity- or currency-linked Notes shall be subject to additional U.S. selling restrictions as the relevant Dealer(s) shall agree as a term of the issuance and purchase of such Notes. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

### **European Economic Area (EEA)**

#### ***Prohibition of sales to EEA Retail Investors***

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 EEA. 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 Directive 2014/65/EU (as amended, “MiFID II”); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”); and
- (b) the expression an “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.

### **United Kingdom**

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 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, if it was not an authorised person, apply to the Issuer.
- (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.

### **The Netherlands**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the EU Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht).

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, 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, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

### **Hong Kong**

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions)

Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **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.

## **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 registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;

- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **General**

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

These selling restrictions may be modified by the agreement of each of the Issuer and the Dealers 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.

## NATIONAL DEVELOPMENT AND REFORM COMMISSION FILINGS

On 14 September 2015, the National Development and Reform Commission (the “NDRC”) promulgated the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No 2044) (the “NDRC Notice”) (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), which came into effect on the same day. According to the current interpretation of the NDRC Notice, if a PRC enterprise or an offshore enterprise or branch controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year (“Relevant Offshore Bonds”), such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the “Pre-Issuance Registration Certificate”). In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 working days of the completion of the bond issue (the “Post-Issuance Filing”). The Post-Issuance Filing involves the reporting of certain post-issuance information by the enterprise to the NDRC, and failure to complete the Post-Issuance Filing will not adversely affect the validity of the relevant bonds or any other bonds issued by the enterprise from time to time. On 15 June 2018, an NDRC officer orally stated, in response to queries regarding the implementation of the NDRC Notice, that the NDRC will further compound punitive consequences for non-compliant enterprises and will work with relevant departments to enhance the national credit system in terms of corporate foreign debt issuances. In addition, the “three-warning system” will be implemented for overseas debt-issuing enterprises and related intermediaries, pursuant to which the NDRC will undertake disciplinary measures, including but not limited to conducting investigative interviews, and suspending the relevant enterprise’s foreign debt registration or the qualification to issue foreign debt.

The Bank has obtained an annual foreign debt quota from the NDRC, pursuant to which the Group may issue up to a specified aggregate amount of Relevant Offshore Bonds without the need to obtain a Pre-Issuance Registration Certificate in respect thereof. Accordingly, where the Issuer proposes to issue Notes under the Programme which would constitute Relevant Offshore Bonds, no Pre-Issuance Registration Certificate will need to be obtained from the NDRC in respect of such issue, provided that (i) the aggregate principal amount of such Notes, taken together with any other issue(s) of Relevant Offshore Bonds previously issued under the relevant quota, does not exceed the quota and (ii) the Bank duly authorises the Issuer to utilise such annual foreign debt quota for the purposes thereof. Where the quota is not available for any issue of Notes under the Programme which constitute Relevant Offshore Bonds, a specific Pre-Issuance Registration Certificate will be required in respect thereof. Whether or not a specific Pre-Issuance Registration Certificate is required to be obtained under the NDRC Notice for a particular issue of Notes under the Programme, the Issuer will in any event (where such Notes constitute Relevant Offshore Bonds) be required to make the relevant Post-Issuance Filing with the NDRC within 10 business days after the issue of the Notes. The Issuer undertakes to file or procure that the Bank files the required information relating to the issue of any Notes which constitute Relevant Offshore Bonds within the required period in accordance with the NDRC Notice.

On 12 January 2017, the PBOC promulgated the PBOC Notice on Relevant Matters about Macro-Prudential Management of Cross-Border Financing in Full Aperture (《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》), which came into effect on the same date (the “PBOC Notice”), and which imposes certain filing, reporting and other requirements on PRC companies and financial institutions that engage in cross-border financing activities. After consultation with the PBOC regarding the relevant filing and reporting requirements under the PBOC Notice, the Bank has confirmed to the Issuer that its offshore branches should not be considered to be PRC residents and, therefore, the relevant filing and reporting requirements under the PBOC Notice should not be applicable to issuances of Notes by the Issuer under the Programme so long as the proceeds from the issuance of the Notes will not be applied within the PRC. However, the PBOC Notice remains relatively new and the implementation rules have not yet been published. Therefore, following the date of this Offering Circular, the Issuer and/or the Bank may be required to make reporting or take other steps to comply

with the PBOC Notice, the nature and extent of which are not currently foreseeable by the Issuer or the Bank. No assurance can be given that the Issuer and/or the Bank will need to comply with the PBOC Notice, including, without limitation, where the proceeds from an issuance of Notes by the Issuer under the Programme are applied within the PRC.



## **GENERAL INFORMATION**

### **1 LISTING**

Application has been made to the LuxSE for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the LuxSE's Euro MTF market. If any Green Bonds are to be issued under the Programme and listed on the LuxSE, the Issuer may also apply for such Notes be displayed on the LGX.

Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

### **2 AUTHORISATION**

The update of the Programme and the issue of the Notes thereunder were authorised by Authorisation (2018) No.1377 of Industrial and Commercial Bank of China Limited passed on 9 November 2018. The Issuer has obtained, or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue of the Notes and the performance of its obligations under the Notes.

### **3 LEGAL AND ARBITRATION PROCEEDINGS**

The Issuer is not or has not been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer 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 or trading position or profitability of the Group.

### **4 SIGNIFICANT/MATERIAL CHANGE**

Since 31 December 2018, there has been no material adverse change in the financial position or prospects, nor has there been any significant change, since 31 March 2019, in the financial or trading position or prospects, of the Group.

### **5 AUDITOR**

The Group's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018 which are incorporated by reference in this Offering Circular, have been audited by KPMG, as stated in its reports appearing therein.

### **6 DOCUMENTS ON DISPLAY**

Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays and public holidays excepted) at the office of the Issuer at 32, Boulevard Royal, L-2449, Luxembourg and the specified office of the Fiscal Agent at 60, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg for so long as the Notes are capable of being issued under the Programme:

- (i) the memorandum and articles of association of the Bank;
- (ii) the unaudited and unreviewed consolidated financial statements of the Group as at and for the three months ended 31 March 2018 and 2019;

- (iii) the audited consolidated financial statements of the Group as at and for the financial years ended 31 December 2017 and 31 December 2018, respectively;
- (iv) copies of the latest annual report and audited annual consolidated financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Group;
- (v) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA 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 Issuer and the Fiscal Agent as to its holding of Notes and identity);
- (vi) a copy of this Offering Circular together with any supplement to this Offering Circular;
- (vii) the Deed of Covenant;
- (viii) the Agency Agreement (which contains the forms of the Notes in global and definitive form); and
- (ix) the Programme Manual.

## **7 CLEARING OF THE NOTES**

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and, provided a CMU Lodging and Paying Agent is appointed, CMU Service. The appropriate CMU instrument number, common code and the International Securities Identification Number in relation to the Notes of each Tranche 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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