

OFFERING CIRCULAR



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, ACTING THROUGH INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, DUBAI (DIFC) BRANCH

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

US\$8,000,000,000

Euro Medium Term Note Programme

Under this US\$8,000,000,000 Euro Medium Term Note Programme (the **Programme**), Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch (the **Issuer**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue 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 (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed US\$8,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), 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*" and any additional Dealer appointed by the Issuer under the Programme from time to time (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 by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the London Stock Exchange plc (the **London Stock Exchange**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the London Stock Exchange's International Securities Market (the **ISM**). The ISM is not a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**).

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

This Offering Circular has been approved by the Dubai Financial Services Authority (the **DFSA**) under the DFSA's Markets Rule 2.6 and is therefore an Approved Prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. Application has also been made to the DFSA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of securities (the **DFSA Official List**) maintained by the DFSA and to Nasdaq Dubai for such Notes to be admitted to trading on Nasdaq Dubai.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement document (the **Pricing Supplement**) which, with respect to Notes to be admitted to trading on the ISM, will be delivered to the London Stock Exchange and, with respect to Notes to be listed on Nasdaq Dubai, will be delivered to the DFSA and Nasdaq Dubai before the listing of Notes of such Tranche.

References in this Offering Circular to the Notes being **admitted to trading** (and all related references) shall mean that such Notes have been admitted to trading on the ISM so far as the context permits.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to the DFSA Official List and to trading on Nasdaq Dubai.

The Programme provides that Notes may be listed and/or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement in respect of any Series (as defined in "*Terms and Conditions of the Notes*") will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The DFSA does not accept any responsibility for the content of the information included in this Offering Circular, including the accuracy or completeness of such information. The liability for the content of this Offering Circular lies with the Issuer. The DFSA has also not assessed the suitability of any Notes issued under this Programme to any particular investor or type of investor. If you do not understand the contents of this Offering Circular or are unsure whether any Notes issued under this Offering Circular are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Issuer has been rated A1 by Moody's Investors Service Hong Kong Limited (**Moody's**) and A by Standard & Poor's Global Ratings Hong Kong Limited (**Standard & Poor's**). The Programme has been rated A long-term by Standard & Poor's. Neither Moody's nor Standard & Poor's is established in the European Union and neither of them has applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The Issuer's ratings have been endorsed by Moody's Investors Service Ltd. and Standard & Poor's Global Ratings Europe Ltd., respectively, in accordance with the CRA Regulation. Each of Moody's Investors Service Ltd. and Standard & Poor's Global Ratings Europe Ltd. is established in the European Union and registered under the CRA Regulation. As such, each of Moody's Investors Service Ltd. and Standard & Poor's Global Ratings Europe Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation. ESMA has indicated that ratings issued in Hong Kong which have been endorsed by Moody's Investors Service Ltd. or Standard & Poor's Global Ratings Europe Ltd. may be used in the EU by the relevant market participants. Where a Tranche of Notes is rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to one of EURIBOR, LIBID, LIBOR, LIMEAN, SHIBOR, HIBOR, SIBOR, KLIBOR, EIBOR, SAIBOR, BBSW, AUD LIBOR, JPY LIBOR, PRIBOR, CNH HIBOR, TRLIBOR or TRYLIBOR, TIBOR, JIBAR or KIBOR as specified in the applicable Pricing Supplement. As at the date of this Offering Circular, the administrators of EURIBOR, LIBOR, CHF LIBOR, GBP LIBOR, JPY LIBOR and SAIBOR are included in the register of administrators of ESMA under Article 36 of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Offering Circular, the administrators of LIBID, LIMEAN, SHIBOR, HIBOR, SIBOR, KLIBOR, EIBOR, BBSW, AUD LIBOR, JPY LIBOR, PRIBOR, CNH HIBOR, TRLIBOR or TRYLIBOR, TIBOR, JIBAR or KIBOR are not included in ESMA's register of administrators under the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the Treasury Markets Association of Banks, the Association of Banks in Singapore, Bank Negara Malaysia, the UAE Central Bank, ASX Limited, the Czech Financial Benchmark Facility s.r.o., the Banks Association of Turkey, the JBA TIBOR Administration, the Johannesburg Stock Exchange, the New Zealand Financial Markets Association and the Financial Benchmarks India Private Ltd, are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or any securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable state securities laws of any state of the United States and any other jurisdiction. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The language of the Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Arrangers and Dealers

**CITIGROUP
FIRST ABU DHABI BANK PJSC
ICBC INTERNATIONAL**

**EMIRATES NBD CAPITAL
HSBC
STANDARD CHARTERED BANK**

Dealers

**CRÉDIT AGRICOLE CIB
J.P. MORGAN**

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA
LIMITED, ACTING THROUGH INDUSTRIAL AND
COMMERCIAL BANK OF CHINA LIMITED, DUBAI (DIFC)
BRANCH**

The date of this Offering Circular is 9 October 2019.

This Offering Circular complies with the requirements in Part 2 of the Markets Law (DIFC Law No. 1 of 2012) and Chapter 2 of the Markets Rules.

The Issuer and the Bank (as defined below) accept responsibility for the information contained in this Offering Circular and the Pricing Supplement for each Tranche of Notes issued under the Programme. 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 or affect its import; (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.

The Issuer confirms that having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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, in respect of any offering of Notes under Category 2 of Regulation S of the Securities Act, 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, in respect of any offering of Notes under Category 2 of Regulation S of the Securities Act, any such U.S. person or other person within the United States, is prohibited.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers, as the case may be.

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

To the fullest extent permitted by law, none of (i) Citigroup Global Markets Limited, (ii) Crédit Agricole Corporate and Investment Bank, (iii) Emirates NBD Bank PJSC, (iv) First Abu Dhabi Bank PJSC, (v) HSBC Bank plc, (vi) ICBC International Securities Limited, (vii) Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch (other than in its capacity as Issuer), (viii) J.P. Morgan Securities plc and (ix) Standard Chartered Bank, the Dealers or the Agents (as defined in the Agency Agreement) accepts any responsibility or liability for the contents of this Offering Circular, for the information incorporated by reference into this Offering Circular, or for any other statement, made or purported to be made by the Arrangers, the Dealers or the Agents or on any of their behalf in connection with the Issuer or the issue and offering of the Notes, or any responsibility for any acts or omissions of the Issuer, the Bank or any other person in connection with this Offering Circular or the issue and offering of Notes under the Programme. To the fullest extent permitted by law, each Arranger, each Dealer and each Agent accordingly disclaims 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.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers or the Agents or any of the Dealers.

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 Bank, the Arrangers, the Agents or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained in this Offering Circular and should make its own independent investigation of the Bank's financial condition and affairs, and its own appraisal of its creditworthiness. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Bank or any of, the Arrangers the Agents or the Dealers to any person to subscribe for or to purchase any Notes. None of the Dealers, the Arrangers and the Agents undertake to review the financial condition or affairs of the Bank 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 Dealers, the Arrangers or the Agents.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply: (i) that there has been no change in the affairs of the Bank, its subsidiaries and/or associated companies since the date hereof (or the date on which this Offering Circular has been most recently amended or supplemented); (ii) 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 Bank or the Group since the date hereof (or the date on which this Offering Circular has been most recently amended or supplemented); (iii) that the information contained herein is correct at any time subsequent to the date hereof (or the date on which this Offering Circular has been most recently amended or supplemented); or (iv) that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Arrangers, the Agents and the Dealers expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions from the Securities Act and applicable securities laws, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "*Subscription and Sale*".

In the case of any Notes which are to be admitted to trading on Nasdaq Dubai, the minimum specified denomination shall be U.S.\$100,000 (or its equivalent in any other currency as at the Issue Date of the Notes).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Bank, the Arrangers, the Agents or the Dealers represent that this Offering Circular 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 assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Bank, the Arrangers, the Agents or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor 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. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong, Singapore, Thailand, the People's Republic of China (the **PRC**), the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, the State of Kuwait and the Republic of South Africa, see "*Subscription and Sale*".

In making an investment decision, investors must rely on their own examination of the Bank and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Issuer, the Bank, the Arrangers, the Agents or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a company incorporated under the laws of the PRC and a substantial majority of its businesses, assets and operations are located in the PRC. In addition, a substantial majority of the Bank's 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 outside the PRC upon the Bank or such Directors, supervisors or executive officers, including with respect to matters arising under securities laws of jurisdictions outside the PRC. Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in the PRC of judgements of a court in any jurisdiction outside the PRC in relation to any matter may be difficult or impossible.

PRESENTATION OF FINANCIAL AND OTHER 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.\$", "US Dollar", "US\$" 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 "EUR", "euro" or "€" are to Euros, the lawful currency of the Eurozone, references to "RMB" or "Renminbi" are to the lawful currency of the PRC, references to "Hong Kong dollars", "Hong Kong dollar" or "HK\$" are to Hong Kong dollars, the lawful currency of Hong Kong, references to "NTD" are to New Taiwan dollars, the lawful currency of Taiwan, references to "TRY" are to Turkish lira, the lawful currency of Turkey, 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 (**IFRS**) and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019 incorporated by reference in this Offering Circular have been prepared and presented in accordance with International Accounting Standard (“IAS”) 34 under IFRS. Significant differences exist between IFRS 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 IFRS 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 the financial information as at 31 December 2017 in this Offering Circular are to such reclassified numbers.

On 1 January 2019, the Bank adopted IFRS 16 — Leases (**IFRS 16**). For the impact of the adoption of IFRS 16 on the Bank, please refer to Note 2 “Basis of Preparation and Accounting Policies- Significant Accounting Policies” of the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019 incorporated by reference in this Offering Circular. The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for the years ended 31 December 2017 and 2018 and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2018 (in each case as presented and/or incorporated by reference in this Offering Circular) has not been restated. As a result, the audited consolidated financial statements of the Group as at and for the years ended 31 December 2017 and 2018 and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2018 may not be directly comparable with the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019.

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed thereto in “*Terms and Conditions of the Notes*” or any other section of this Offering Circular. In addition 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 “United States” or “U.S.” are to the United States of America; and references to “UK” or “United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as will, would, aim, aimed, is likely, are likely, believe, expect, expected to, will continue, anticipated, schedule, estimate, estimating, intend, plan, seeking to, future, objective, should, can, could, may, and similar expressions or variations of such expressions, that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Bank (including the financial forecasts, profit projections, statements as to the expansion plans of the Bank, expected growth in the Bank and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors are discussed in greater detail under the section “*Risk Factors — Risks relating to this Offering Circular – Risks relating to forward looking statements*”.

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Bank to be materially different from the results, performance or achievements expected, expressed or implied by the forward-looking statements in this Offering Circular, undue reliance must not be placed on such forward-looking statements. None of the Issuer, the Bank, the Arrangers or any of the Dealers or any of the Agents represents or warrants that the actual future results, performance or achievements of the Bank will be as discussed in those statements.

Further, the Issuer disclaims any responsibility, and undertakes no obligation, to update or revise any forward-looking statement contained herein to reflect any changes in the expectations with respect thereto after the date of this Offering Circular or to reflect any changes in events, conditions or circumstances on which such statements are based.

NOTICE TO THE RESIDENTS OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of securities will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representations as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

NOTICE TO THE RESIDENTS OF THE STATE OF QATAR

This Offering Circular does not and is not intended to constitute an offer, sale or delivery of the Notes under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange.

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 MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, (the **Insurance Distribution 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 Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs 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.

**NOTIFICATION UNDER SECTION 309B(1)(C) OF
THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS
MODIFIED OR AMENDED FROM TIME TO TIME (THE *SFA*)**

In connection with Section 309B of 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 Securities and Futures Act (Chapter 289) of Singapore), 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).

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) IN THE APPLICABLE PRICING SUPPLEMENT (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) 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 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. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be published.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Issuer.....	Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch.
Issuer Legal Entity Identifier (LEI)	254900RYF4STUN5BW294.
Risk Factors	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ”. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors — Risks relating to the Notes</i> ” and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description.....	Euro Medium Term Note Programme.
Arrangers	Citigroup Global Markets Limited, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, ICBC International Securities Limited and Standard Chartered Bank.
Dealers	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, ICBC International Securities Limited, Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, J.P. Morgan Securities plc, Standard Chartered Bank and any other Dealers appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000, as amended (the **FSMA**), unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

Fiscal Agent	Citibank N.A., London Branch.
Registrar.....	Citigroup Global Markets Europe AG.
Transfer Agent	Citibank N.A., London Branch.
CMU Lodging and Paying Agent	Citicorp International Limited
Programme Size.....	Up to US\$8,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities.....	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as set out in the applicable Pricing Supplement).
Issue Price.....	Notes may be issued on a fully-paid basis and at an issue price which may be at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Clearing Systems	The Central Moneymarkets Unit Service (the CMU Service), Clearstream Banking S.A. (Clearstream, Luxembourg), Euroclear Bank SA/NV (Euroclear) and, in relation to any Tranche of Notes, such other clearing system as may be agreed between the Issuer, the relevant Paying Agent and the relevant Dealer.

Fixed Rate Notes..... Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. (**ISDA**), and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Other provisions in relation to Floating Rate Notes..... Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes..... Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark Replacement

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 4.2(g) for further information.

Redemption.....	<p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions — Notes having a maturity of less than one year</i>” above.</p>
Denomination of Notes.....	<p>The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “<i>Certain Restrictions — Notes having a maturity of less than one year</i>” above, and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p>
Taxation	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.</p>
Negative Pledge	<p>The terms of the Notes will not contain a negative pledge provision.</p>
Cross-Default	<p>The terms of the Notes will contain a cross-default provision as further described in Condition 9(c).</p>
Status of the Notes	<p>The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding, as set out in Condition 3.</p>

Rating.....	<p>The Programme has been rated “A” long-term by Standard & Poor’s. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Listing and Admission to Trading	<p>Application has been made for the Notes to be admitted to trading on the ISM.</p> <p>Application has also been made to the DFSA for Notes issued under the Programme during the period of 12 months from the date hereof to be admitted to the DFSA Official List and to Nasdaq Dubai for such Notes to be admitted to trading on Nasdaq Dubai.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Law	<p>The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.</p>
Selling Restrictions	<p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong, Singapore, Thailand, the PRC, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, the State of Kuwait and the Republic of South Africa and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “<i>Subscription and Sale</i>”.</p>

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 and the six months ended 30 June 2019, 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 and RMB16,271.2 billion as at 30 June 2019. As at 31 December 2017 and 2018 and 30 June 2019, our non-performing loans (**NPLs**) amounted to RMB221.0 billion, RMB235.1 billion and RMB240.1 billion, respectively, representing NPL ratios of 1.55 per cent., 1.52 per cent. and 1.48 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 recurrence 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 and 30 June 2019, our allowance to NPLs was 154.07 per cent., 175.76 per cent., and 192.02 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

allowance to NPLs was 136.69 per cent.) where our allowance to NPLs 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 and 30 June 2019, our corporate loans represented 62.8 per cent., 61.0 per cent. and 60.9 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. As at 30 June 2019, approximately 23.7 per cent., 16.9 per cent., 13.6 per cent., 11.1 per cent., 10.4 per cent., 5.6 per cent. and 7.7 per cent., respectively, of our total domestic branches' corporate loans were concentrated in these sectors.

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. As at 30 June 2019, residential mortgages grew by RMB325,472 million or 7.1 per cent. than that at the end of 31 December 2018 as the Bank supported the residents' financing demands for owner-occupied houses. As at 31 December 2018 and 30 June 2019, our domestic branches' corporate loans in the real estate sector represented 7.4 per cent. and 7.7 per cent. of our total domestic branches' corporate loans respectively. 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 and 30 June 2019, the total amount of loans granted to our single largest customer accounted for 4.9 per cent., 3.8 per cent. and 3.5 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., 12.9 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 RMB14,233.4 billion as at 31 December 2017 to RMB15,419.9 billion as at 31 December 2018 and to RMB16,271.2 billion as at 30 June 2019. 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.

For the impact of the adoption of IFRS 16 on the Bank, please refer to Note 2 “Basis of Preparation and Accounting Policies — Significant Accounting Policies” of the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019 incorporated by reference in this Offering Circular. On 1 January 2019, the Group adopted IFRS 16. The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for the years ended 31 December 2017 and 2018 and the unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2018 (in each case as presented and/or incorporated by reference in this Offering Circular) has or have, as the case may be, not been restated. As a result, the audited consolidated financial statements of the Group as at and for the years ended 31 December 2017 and 2018 and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2018 may not be directly comparable with the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019.

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, and 14.0 per cent. of our total loans were secured by guarantees. The remainder of our loans as at 31 December 2018 were unsecured loans. As at 30 June 2019, 45.9 per cent. and 7.4 per cent. of our total loans were secured by mortgages and pledges, respectively, and 14.1 per cent. of our total loans were secured by guarantees. The remainder of our loans as at 30 June 2019 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., 79.0 per cent. and 75.9 per cent. of our operating income for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, 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 Notes Denominated in Renminbi — Investment in RMB 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 and 30 June 2019, 48.3 per cent. and 47.9 per cent. of our total customer deposits were demand deposits respectively. 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. As at 30 June 2019, our credit risk-weighted amount of credit commitments was RMB1,396.6 billion, and our credit commitments amounted to RMB3,144.4 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. As we have many branches in the PRC and elsewhere, our employees or third parties that are subject to the Bank's policies may from time to time be involved in improper conduct. In such situations where such improper conduct is discovered or known, such activities will be handled in accordance with the internal policies of the Bank, and if required, by the applicable authorities under the applicable laws, regulations or public policy.

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, in a timely manner, to 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, as we have many branches in the PRC and elsewhere, our employees or third parties that are subject to the Bank's policies may from time to time be involved in improper conduct. In such situations where such improper conduct is discovered or known, such activities will be handled in accordance with the internal policies of the Bank, and if required, by the applicable authorities under the applicable laws, regulations or public policy. We also 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 30 June 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. As at 30 June 2019, the notional amount of our outstanding derivative financial instruments amounted to RMB9,345,695 million, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB38,053 million and RMB41,960 million, respectively, and the net derivative assets and net derivative liabilities were RMB23,920 million and RMB27,827 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持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 Governing Capital of Commercial Banks (Provisional) (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 30 June 2019, 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 12.74 per cent., 13.19 per cent. and 15.75 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 half of 2019, the PRC Government reported a GDP of RMB45.0933 trillion, representing year-on-year growth of 6.3 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 judgements 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. On 18 January 2019, the Supreme People's Court of China (the **SPC**) and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the **New Arrangement**). The New Arrangement extends the scope of judicial assistance and the effective date shall be announced by the SPC and Hong Kong after the SPC issues the judicial interpretation and the Hong Kong Government completes the relevant procedures.

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

Difficulties may be experienced in effecting service of legal process and enforcing judgments against the Bank and its management.

The Bank is a company incorporated under the laws of the PRC, and substantially all of the Bank's business, assets and operations are located in China. In addition, a majority of the Bank's directors, supervisors and executive officers reside in China, and substantially all of the assets of such directors, supervisors and executive officers are located in China. Therefore, it may not be possible for investors to effect service of process upon the Bank or those persons inside China. China has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other countries. Hence, the recognition and enforcement in China of judgments of a court in a foreign jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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:

- 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;
- 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;
- 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;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- 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.

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

The Conditions of the Notes 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.

Risks related to the structure of 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:

Notes subject to optional redemption

An optional redemption feature of Notes is likely to limit their market value. 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.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate (**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.

Fixed/Floating Rate Notes

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 the then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes issued at a substantial discount or premium

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

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”

Interest rates and indices which are deemed to be benchmarks are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, 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. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. 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 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 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 or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. 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 or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to 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, the 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 “*Terms and Conditions of the Notes*”), with or without the application of an adjustment spread which, if applied, could be positive or negative or zero, 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 “*Terms and Conditions of the Notes*”) to determine the Successor Rate or Alternative Reference Rate (as applicable) no later than five Business Days (as defined in “*Terms and Conditions of the Notes*”) 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 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 or national reforms, particularly in the United Kingdom, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR in its current form (or at all) is not guaranteed after 2021. 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 that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest of the Notes that reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate of interest based on the rate of interest which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Change of law

The Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination in order to receive a definitive Note in respect thereof.

If such definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on the procedures of the relevant ICSD

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (each as defined under “*Form of the Notes*”) (together, the **ICSDs**). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. The relevant ICSD and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant ICSD and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant ICSD. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant ICSD and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant ICSD and its participants to appoint appropriate proxies.

Conflicts of interest – Calculation Agent

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Risks related to the market generally

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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value 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 applicable 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.

Ratings of Notes

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market trading of the Notes. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to 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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO NOTES DENOMINATED IN RENMINBI

Notes denominated in RMB (**RMB Notes**) may be issued under the Programme. Prospective investors should carefully take into account the following considerations, in addition to the other information contained in this Offering Circular, before investing in any RMB Notes. RMB Notes contain particular risks for potential investors.

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

Renminbi is not completely freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years 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. Currently, participating banks in Hong Kong and a number of other jurisdictions (the **Applicable Jurisdictions**) have been permitted to engage in the settlement of current account trade transactions in Renminbi. However, remittance of Renminbi by foreign investors into and out of the PRC for purposes such as capital contributions, known as capital account items, 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 subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although, starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the PBOC in 2018, there is no assurance that the PRC Government will liberalise control over cross-border remittance of Renminbi in the future 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 outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside 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 RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service RMB 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.

Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has established Renminbi clearing and settlement mechanisms for participating banks in the Applicable Jurisdictions through settlement agreements (the **Settlement Agreements**) on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (each, an **RMB Clearing Bank**) and these RMB Clearing Banks have been permitted to engage in the settlement of Renminbi trade transactions.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and 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 outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks

The Issuer will make all payments of interest and principal with respect to the RMB 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. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. Dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented 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. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC Government may in the future announce further changes to the exchange rate system. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the RMB Notes in that foreign currency will decline.

Investment in RMB Notes is subject to interest rate risks

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

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

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the relevant Offshore Renminbi Centre. All Renminbi payments to investors in respect of the RMB Notes will be made solely (i) when RMB Notes are represented by global certificates deposited with a sub-custodian for CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) for so long as the RMB Notes are represented by global certificates held with the common depositary for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which an RMB Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (iii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which an RMB Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. Other than described in the Terms and Conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Investment in Notes may be subject to PRC tax

In considering whether to invest in the Notes, investors 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 jurisdictions. The value of the Noteholder's investment in the Notes may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Notes.

RISKS RELATING TO THIS OFFERING CIRCULAR

The Issuer cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to the PRC, its economy or the PRC and global banking industries.

Facts, forecasts and statistics in this Offering Circular relating to the PRC, the PRC's economy and the PRC and global banking industries, including the Bank's market share information, are derived from various governmental sources which are generally believed to be reliable. However, the Issuer cannot guarantee the quality and reliability of such material. In addition, these facts, forecasts and statistics have not been independently verified by the Issuer and may not be consistent with information available from other sources, and may not be complete or up to date. The Issuer has taken reasonable care in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

Risks relating to forward-looking statements.

The Issuer has included certain statements in this Offering Circular which constitute "forward-looking statements" (the meaning of which is discussed above under "Cautionary statement regarding forward-looking statements"). Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Issuer's expectations with respect to, but not limited to, the Bank's ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for Internet banking services. Accordingly, undue reliance must not be placed on such forward-looking statements.

INFORMATION INCORPORATED BY REFERENCE

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

- (a) unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019 together with the review report thereon, as set out on pages 80 to 185 of the Group's 2019 Interim Report (available at <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2019/9Interim20190926.pdf>);
- (b) consolidated financial statements of the Group as at and for the year ended 31 December 2018 together with the audit report thereon, as set out on pages 121 to 298 of the Group's Annual Report 2018 (available at <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2019/2018AnnualReport20190425.pdf>); and
- (c) consolidated financial statements of the Group as at and for the year ended 31 December 2017 together with the audit report thereon, as set out on pages 120 to 272 of the Group's Annual Report 2017 (available at <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2018/720180423.pdf>).

Following the publication of this Offering Circular, a supplement may be prepared by the Issuer and approved by the DFSA and the London Stock Exchange. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained free of charge from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in the Dubai International Financial Centre and London, respectively.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

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 six months ended 30 June 2018 and 2019 and the summary consolidated statement of financial position data as at 31 December 2017 and 2018 and 30 June 2019 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 and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019 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 Group's unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2019 have been reviewed by KPMG but have not been audited.

The Bank adopted IFRS 9 — Financial instruments on 1 January 2018 and IFRS 16 — Leases on 1 January 2019. See “Presentation of Financial and Other 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.

	For the year ended 31 December		For the six months ended 30 June	
	2017	2018	2018	2019
	(in RMB millions)			
Net interest income	522,078	572,518	277,616	299,301
Net fee and commission income	139,625	145,301	79,260	88,501
Net trading income	5,753	2,846	3,044	5,873
Net (loss)/gain on financial investments ⁽¹⁾ ..	2,165	1,345	1,929	(3,424)
Other operating income/(expense), net	6,033	3,111	(547)	3,952
Operating income	675,654	725,121	361,302	394,203
Operating expenses	(186,194)	(194,203)	(81,958)	87,154
Impairment losses on:				
Loans and advances to customers	(124,096)	(147,347)	(77,552)	(91,896)
Others	(3,673)	(14,247)	(5,906)	(7,284)
Operating profit	361,691	369,324	195,886	207,869
Share of profits of associates and joint ventures	2,950	3,089	1,330	1,340
Profit before taxation	364,641	372,413	197,216	209,209
Income tax expense	(77,190)	(73,690)	(36,559)	(40,519)
Profit for the year/period	287,451	298,723	160,657	168,690

	For the year ended 31 December		For the six months ended 30 June	
	2017	2018	2018	2019
<i>(in RMB millions)</i>				
Attributable to equity holders of the parent company.....	286,049	297,676	160,442	167,931
Attributable to non-controlling interests	1,402	1,047	215	759

Note:

- (1) 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		As at 30 June
	2017	2018	2019
<i>(in RMB millions)</i>			
Assets			
Cash and balances with central banks.....	3,613,872	3,372,576	3,993,112
Due from banks and other financial institutions	847,611	962,449	955,009
Derivative financial assets	89,013	71,335	61,598
Reverse repurchase agreements	986,631	734,049	954,807
Loans and advances to customers	13,892,966	15,046,132	15,854,208
Financial investments ⁽¹⁾	5,756,704	6,754,692	7,219,097
Investments in associates and joint ventures.....	32,441	29,124	29,837
Property and equipment	247,744	290,404	285,428
Deferred income tax assets	48,392	58,375	58,957
Other assets	571,669	380,404	578,423
Total assets	26,087,043	27,699,540	29,990,476
Liabilities			
Due to central banks	456	481	1,232
Financial liabilities designated at fair value through profit or loss ⁽²⁾	89,361	87,400	92,805
Derivative financial liabilities.....	78,556	73,573	78,553
Due to banks and other financial institutions.....	1,706,549	1,814,495	2,184,550
Repurchase agreements.....	1,046,338	514,801	281,796
Certificates of deposit	260,274	341,354	361,971
Due to customers ⁽³⁾	19,562,936	21,408,934	23,125,437
Income tax payable	70,644	84,741	55,729

	As at 31 December		As at 30 June
	2017	2018	2019
<i>(in RMB millions)</i>			
Deferred income tax liabilities.....	433	1,217	1,936
Debt securities issued	526,940	617,842	775,410
Other liabilities	603,500	409,819	602,162
Total liabilities	23,945,987	25,354,657	27,561,581
Total equity	2,141,056	2,344,883	2,428,895
Total equity and liabilities	26,087,043	27,699,540	29,990,476

Notes:

- (1) Since the adoption of IFRS 9 — *Financial Instruments* and the new classification and measurement of financial instruments 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” as at 31 December 2017 presented above have been reclassified.
- (2) The “financial liabilities designated at fair value through profit or loss” as 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.
- (3) The “due to customers” as 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.

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		For the six months ended 30 June	
	2017	2018	2018	2019
Profitability indicators (%)				
Return on average total assets ⁽¹⁾⁽¹³⁾	1.14	1.11	1.20	1.17
Return on weighted average equity ⁽²⁾⁽¹³⁾	14.35	13.79	15.33	14.41
Net interest spread ⁽³⁾⁽¹³⁾	2.10	2.16	2.16	2.13
Net interest margin ⁽⁴⁾⁽¹³⁾	2.22	2.30	2.30	2.29
Return on risk-weighted assets ⁽⁵⁾⁽¹³⁾	1.89	1.81	1.96	1.91
Ratio of net fee and commission income to operating income	20.67	20.04	21.94	22.45
Cost-to-income ratio ⁽⁶⁾	26.45	25.71	21.51	21.13

	As at 31 December		As at 30 June
	2017	2018	2019
<i>(in RMB millions)</i>			
Asset quality indicators (%)			
NPL ratio ⁽⁷⁾	1.55	1.52	1.48
Allowance to NPLs ⁽⁸⁾	154.07	175.76	192.02
Allowance to total loans ratio ⁽⁹⁾	2.39	2.68	2.83
Capital adequacy indicators (%)			
Core Tier 1 Capital Adequacy Ratio ⁽¹⁰⁾	12.77	12.98	12.74
Tier 1 Capital Adequacy Ratio ⁽¹⁰⁾	13.27	13.45	13.19
Capital Adequacy Ratio ⁽¹⁰⁾	15.14	15.39	15.75
Leverage Ratio	7.51	7.79	7.46
Total equity to total assets ratio	8.21	8.47	8.10
Risk-weighted assets to total assets ratio	60.96	62.06	60.58

	As at 31 December	As at 31 December	As at 30 June	As at 30 June
	2017	2018	2018	2019
Liquidity ratios (%)				
RMB current assets to RMB current liabilities ⁽¹²⁾	41.7	43.8	43.9	45.5
Foreign currency current assets to foreign currency current liabilities ⁽¹²⁾	86.2	83.0	75.5	93.2

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 and as at 30 June 2019 were calculated in accordance with 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. The liquidity ratios are prepared on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.
- (13) On an annualised basis.

EXCHANGE RATE INFORMATION

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 PRC Government may make further adjustments to the exchange rate system in the future.

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.

	Noon Buying Rate			
	Period end	Average ⁽¹⁾	High	Low
	(RMB per U.S.\$1.00)			
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	6.8900	6.5063
2018	6.8755	6.6292	6.9737	6.2649
2019				
Jan.....	6.6958	6.7863	6.8708	6.6958
Feb	6.6912	6.7367	6.7907	6.6822
Mar	6.7112	6.7119	6.7381	6.6916
Apr	6.7347	6.7161	6.7418	6.6870
May	6.9027	6.8519	6.9182	6.7319
Jun.....	6.8650	6.8977	6.9298	6.8510
Jul	6.8833	6.8775	6.8927	6.8487

Aug	7.1543	7.0629	7.1628	6.8972
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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.

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 applicable 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 International Capital Market Association (ICMA) Green Bond Principles, only Tranches of Notes exclusively financing or refinancing Eligible Green Assets (mentioned above at (b)) will be designated “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**” comprise of assets which promote transition to low-carbon and sustainable economy and provide clear environmental sustainability and climate change benefits in the Eligible Green Asset Categories as defined in the Green Bond Framework (as defined below). Such Eligible Green Asset Categories include those which relate to: renewable energy, low carbon and low emission transportation, energy efficiency and sustainable water and wastewater management. Financings within the fossil fuel related assets, large scale hydropower 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.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons (and talons for further coupons if appropriate) attached, or registered form, without interest coupons or talons attached, in each case as specified in the applicable Pricing Supplement.

Bearer Notes

The following applies to Notes specified in the applicable Pricing Supplement to be in bearer form.

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent global note (a **Permanent Bearer Global Note**) and, together with a Temporary Bearer Global Note, each a **Bearer Global Note** which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg or (ii) a sub-custodian for the CMU Service. Notes in bearer form will be delivered and deliverable only outside the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction).

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only outside the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person or any person within the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging and Paying Agent and (in the case of a Temporary Bearer Global Note delivered to a common depositary for Euroclear and Clearstream, Luxembourg) and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given in connection with a payment of principal, interest or any other amount payable in respect of the Bearer Notes. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that:

- (a) an Event of Default (as defined in Condition 9) has occurred and is continuing;
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form.

The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. If an Exchange Event occurs, (a) in the case of Notes held by a common depositary for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg or the common depositary on behalf of Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Fiscal Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent or, as the case may be, the CMU Lodging and Paying Agent. No definitive Bearer Note delivered in exchange for a Permanent Bearer Global Note will be mailed or otherwise delivered to any location in the United States (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) in connection with such exchange.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an original maturity of more than 365 days and on all receipts, talons and interest coupons relating to such Notes:

“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.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be.

Registered Notes

The following applies to Notes specified in the applicable Pricing Supplement to be in registered form.

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note** and, together with any Bearer Global Note, each, a **Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg and/or a sub-custodian for the CMU Service (if applicable), as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.4) as the registered holder of the Registered Global Notes in the manner set out in Condition 5.4. None of the Issuer, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that:

- (a) an Event of Default has occurred and is continuing;
- (b) if (i) the Registered Global Note is registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg and the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or (ii) in the case of Notes cleared through the CMU Service the Issuer has been notified that the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. If an Exchange Event occurs, (a) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Registrar or the CMU Lodging and Paying Agent, as applicable, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar or the CMU Lodging and Paying Agent, as applicable, requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Fiscal Agent, or, as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note which is cleared through Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on the day immediately following such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and/or the CMU Service on and subject to the terms of a deed of covenant dated 9 October 2019 (the **Deed of Covenant**) and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below), each definitive Bearer Note and each definitive Registered Note, but, in the case of definitive Bearer Notes and definitive Registered Notes, only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Bearer Note or definitive Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Pricing Supplement” for a description of the content of Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note in bearer form (each a **Bearer Global Note**);
- (c) any Global Note in registered form (each a **Registered Global Note**);
- (d) any definitive Notes in bearer form (**Definitive Bearer Notes** and, together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and
- (e) any definitive Notes in registered form (**Definitive Registered Notes** and, together with Registered Global Notes, the **Registered Notes**) (whether or not issued in exchange for a Registered Global Note).

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 9 October 2019 and made between the Issuer, Citibank N.A., London Branch as agent bank (the **Fiscal Agent**, which expression shall include any successor fiscal agent), Citicorp International Limited as CMU lodging and paying agent (the **CMU Lodging and Paying Agent**, which expression shall include any successor CMU lodging and paying agent) and the other paying agents named therein (together with the Registrar (as defined below), the Fiscal Agent, acting in its capacity as paying agent, and the CMU Lodging and Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citigroup Global Markets Europe AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions (the **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 references shall be construed accordingly.

The pricing supplement for this Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Note which completes these Conditions. References to the **applicable Pricing Supplement** are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest-bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean, in the case of Bearer Notes, the holders of the Notes and, in the case of Registered Notes, the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant dated 9 October 2019 (the **Deed of Covenant**) and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg (each as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the registered office of each of the Fiscal Agent, the Registrar and the other Paying Agents. Copies of the applicable Pricing Supplement are available for viewing at the registered office of each the Issuer, the Fiscal Agent and the Registrar in the case of Registered Notes, and at the registered office of the other Paying Agents in the case of Bearer Notes, and copies may be obtained from those offices save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are either in bearer form or in registered form, as specified in the applicable Pricing Supplement and, in the case of Definitive Bearer Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery, and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), each person (other than Euroclear, Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service 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 as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (**CMU Accountholders**) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be. References to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee of a common depositary for Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of a common depositary of Euroclear, Clearstream, Luxembourg or the

CMU Service, as the case may be, or to a successor of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, or such successor's nominee.

(b) ***Transfers of Registered Notes in definitive form***

Subject as provided in paragraph (e) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

(i) the holder or holders must:

- (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and
- (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and

(ii) the relevant Transfer Agent must be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) ***Costs of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) ***Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered during the period of (a) 15 days ending on (and including) the due date for redemption of that Note and (b) seven days ending on (and including) any Record Date.

(f) ***Exchanges and transfers of Registered Notes generally***

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. STATUS OF THE NOTES

The Notes and any related Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date in respect of a period that is not a Fixed Interest Period will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but

excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30- day months) divided by 360; and

- (c) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date divided by 365.

- (d) In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(i) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means:

- I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Pricing Supplement; and
- II. either (x) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, (y) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open or (z) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of Renminbi payments in the Offshore Renminbi Centre.

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph

(i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (**ISDA**) and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**), on the Euro-zone interbank offered rate (**EURIBOR**) or on the CNH Hong Kong inter-bank offered rate (**CNH HIBOR**), the first day of that Interest Period or (II) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of subclause 4.2(b)(ii)(A) above, no offered quotation appears or, in the case of subclause 4.2(b)(ii)(B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Fiscal Agent shall request each of the Reference Banks to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the

Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR, LIMEAN, LIBID, AUD LIBOR, JPY LIBOR), or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), or by leading banks dealing in Renminbi in the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR), or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), or the Singapore inter-bank market (if the Reference Rate is SIBOR), or the Kuala Lumpur inter-bank market (if the Reference Rate is KLIBOR), or the Emirates inter-bank market (if the Reference Rate is EIBOR), or the Saudi Arabia inter-bank market (if the Reference Rate is SAIBOR), or the Australia inter-bank market (if the Reference Rate is BBSW), or the Prague inter-bank market (if the Reference Rate is PRIBOR), or the Turkish inter-bank market (if the Reference Rate is TRLIBOR or TRYLIBOR), the Tokyo inter-bank market (if the Reference Rate is TIBOR), the Johannesburg inter-bank market (if the Reference Rate is JIBAR), or the Kuwaiti inter-bank market (if the Reference Rate is KIBOR), plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR, LIMEAN, LIBID, AUD LIBOR, JPY LIBOR), or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or leading banks dealing in Renminbi in the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR), or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), or the Singapore inter-bank market (if the Reference Rate is SIBOR), or the Kuala Lumpur inter-bank market (if the Reference Rate is KLIBOR), or the Emirates inter-bank market (if the Reference Rate is EIBOR), or the Saudi Arabia inter-bank market (if the Reference Rate is SAIBOR), or the Australia inter-bank market (if the Reference Rate is BBSW), or the Prague inter-bank market (if the Reference Rate is PRIBOR), or the Turkish inter-bank market (if the Reference Rate is TRLIBOR or TRYLIBOR), the Tokyo inter-bank market (if the Reference Rate is TIBOR), the Johannesburg inter-bank market (if the Reference Rate is JIBAR), or the Kuwaiti inter-bank market (if the Reference Rate is KIBOR), plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Conditions:

Reference Banks means, in the case of a determination of LIBOR, LIMEAN, LIBID, AUD LIBOR or JPY LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in the case of a determination of HIBOR or CNH HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore inter-bank market, in the case of a determination KLIBOR, the principal Kuala Lumpur office of four major banks in the Kuala Lumpur inter-bank market, in the case of a determination of EIBOR, the principal Dubai office of four major banks in the Emirates inter-bank market, in the case of a determination of SAIBOR, the principal Riyadh office of four major banks in the Saudi Arabia inter-bank market, in the case of a determination of BBSW, the principal Sydney office of four major banks in the Australia inter-bank market, in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague inter-bank market, in the case of a determination of TRLIBOR or TRYLIBOR, the principal Istanbul office of four major banks in the Turkish inter-bank market, in the case of a determination of TIBOR, the principal Tokyo office of four major banks

in the Tokyo inter-bank market, or in the case of a determination of JIBAR, the principal Johannesburg office of four major banks in the Johannesburg inter-bank market, or in the case of a determination of KIBOR, the principal Kuwait office of four major banks in the Kuwait inter-bank market and, in the case of a determination of a Reference Rate that is not specified above, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Fiscal Agent;

Reference Rate means one of the following benchmark rates (as specified in the applicable Pricing Supplement) in respect of the currency and period specified in the applicable Pricing Supplement:

- (A) EURIBOR;
- (B) London interbank bid rate (**LIBID**);
- (C) LIBOR;
- (D) London interbank mean rate (**LIMEAN**);
- (E) Shanghai interbank offered rate (**SHIBOR**);
- (F) Hong Kong interbank offered rate (**HIBOR**);
- (G) Singapore interbank offered rate (**SIBOR**);
- (H) Kuala Lumpur interbank offered rate (**KLIBOR**);
- (I) Emirates interbank offered rate (**EIBOR**);
- (J) Saudi Arabia interbank offered rate (**SAIBOR**);
- (K) Bank Bill Swap Rate (**BBSW**);
- (L) Australian dollar LIBOR (**AUD LIBOR**);
- (M) Japanese Yen LIBOR (**JPY LIBOR**);
- (N) Prague interbank offered rate (**PRIBOR**);
- (O) CNH HIBOR;
- (P) Turkish Lira interbank offered rate (**TRLIBOR** or **TRYLIBOR**);
- (Q) Tokyo interbank offered rate (**TIBOR**);
- (R) Johannesburg interbank offered rate (**JIBAR**); and
- (S) Kuwait interbank offered rate (**KIBOR**);

Relevant Financial Centre shall mean (i) London, in the case of a determination of LIBOR; (ii) Brussels, in the case of a determination of EURIBOR; (iii) Tokyo, in the case of a determination of TIBOR; (iv) Johannesburg, in the case of a determination of JIBAR; (v) Kuwait City, in the case of a determination of KIBOR; (vi) Hong Kong, in the case of a determination of HIBOR or CNH HIBOR, as specified in the applicable Pricing Supplement; or (vii) such other financial centre as specified in the applicable Pricing Supplement;

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such other page, section, caption, column 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; and

Relevant Time means: (a) 11.00 a.m. (London time, in the case of a determination of LIBOR, LIMEAN, LIBID, AUD LIBOR, JPY LIBOR, Brussels time, in the case of a determination of EURIBOR, Shanghai time, in the case of a determination of SHIBOR, Hong Kong time, in the case of a determination of HIBOR, Singapore time, in the case of a determination of SIBOR, Kuala Lumpur time, in the case of a determination of KLIBOR, Dubai time, in the case of a determination of EIBOR, Riyadh time, in the case of a determination of SAIBOR, Sydney time, in the case of a determination of BBSW, Prague time, in the case of a determination of PRIBOR, Istanbul time, in the case of a determination of TRLIBOR or TRYLIBOR, Tokyo time, in the case of a determination of TIBOR, Johannesburg time, in the case of a determination of JIBAR), or Kuwait time, in the case of a determination of KIBOR); or (b) 11.15 a.m. (Hong Kong time, in the case of a determination of CNH HIBOR); or (c) Relevant Financial Centre time, in the case of a determination of any other Reference Rate.

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Fiscal Agent or, as applicable, the Registrar, in the case of Floating Rate Notes will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent or, as applicable, the Registrar, in the case of Floating Rate Notes, will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

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

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

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

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

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (A) that day is the last day of February but not the Maturity Date or

- (viii) such number would be 31, in which case D₂ will be 30.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Fiscal Agent or the Registrar will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Fiscal Agent or the Registrar shall (in the absence of wilful default, fraud, manifest error or proven error) be binding on the Issuer, the Fiscal Agent, the Registrar (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of negligence, wilful default or fraud) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent or the Registrar in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(g) ***Benchmark Replacement***

In addition, notwithstanding the provisions above in this Condition 4.2, if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable 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 4.2(g); provided, however, that if paragraph (ii) above 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 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 4.2(g);
- (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 4.2(g)). 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.

In this Condition 4.2(g):

Adjustment Spread means (a) a spread (which may be positive or negative or zero); or (b) a formula or methodology for calculating a spread, in each case, required to be applied to 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 the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that 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 having regard to the objective so far as is reasonably practicable in the circumstances and solely for the purposes of this paragraph (c) only of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders or Couponholders;

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 has ceased or that it will 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 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;
- (e) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or
- (f) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate,

provided that in the case of paragraphs (b), (c) and (d) the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, or the prohibition of use of the relevant Reference Rate, as the case may be, and not the date of the relevant public statement;

Financial Stability Board means the organisation established by the Group of Twenty (G20) in April 2009;

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

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

- (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; and

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

4.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) seven days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the relevant Noteholder with a bank in the Offshore Renminbi Centre.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

For the purpose of the Conditions, the term **Renminbi** means the lawful currency of the People's Republic of China.

5.2 Presentation of Definitive Bearer Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes not held in the CMU Service will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part-payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part-payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form not held in the CMU Service (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would

otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form not held in the CMU Service becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of Definitive Bearer Notes held in the CMU Service, payment will be made to the person(s) for whose account(s) interests in the relevant Definitive Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any 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 error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

5.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note (i) in the case of a Bearer Global Note lodged with the CMU Service, to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held by the CMU Service in accordance with the CMU Rules, or (ii) in the case of a Bearer Global Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg and such record shall be *prima facie* evidence that the payment in question has been made. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU Service) on such Bearer Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Bearer Global Note by the CMU Lodging and Paying Agent, and in each such case such record shall be *prima facie* evidence that the payment in question has been made.

5.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part-payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note

appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business and, in respect of the Notes clearing through the CMU Service, a day on which the CMU is open for business) before the relevant due date and (ii) where in definitive form at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (a) a holder does not have a Designated Account; or (b) the principal amount of the Notes held by a holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in the Offshore Renminbi Centre, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency, (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) any bank in the Offshore Renminbi Centre which processes payments in Renminbi in the Offshore Renminbi Centre.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business and, in respect of the Notes clearing through the CMU Service, a day on which CMU is open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifth day or (in the case of Renminbi) the 15th day (whether or not such fifth or 15th day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

In the case of Definitive Registered Notes or Registered Global Notes held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligation of the Issuer in respect of that payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer or the Paying Agents or the Transfer Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.5 General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU Service) or (if the Global Note is lodged with the CMU Service) the person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified to the CMU Lodging and Paying Agent by the CMU Service 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 to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or the CMU Lodging and Paying Agent, as the case may be, for his share of each payment so made by the Issuer or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) in the case of Notes or Coupons denominated in a Specified Currency other than Renminbi:
 - (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (A) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (B) in each Additional Financial Centre specified in the applicable Pricing Supplement; and
 - (ii) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

- (b) in the case of Notes or Coupons denominated in Renminbi, a day on which commercial banks and foreign exchange markets settle Renminbi payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (i) in the case of Notes in definitive form only, the relevant place of presentation and (ii) the Offshore Renminbi Centre.

5.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable (without double counting):

- (a) any additional amounts which may be payable with respect to principal under Condition 7;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories 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 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.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (a) not less than 32 nor more than 60 days' notice to the Noteholders (in accordance with Condition 13); and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Fiscal Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Definitive Bearer Notes or Definitive Registered Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot (in such place as the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes, may approve) not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be given notice in accordance with Condition 13 not less than 30 days prior to such date fixed for redemption (such date of selection being the **Selection Date**).

In the case of partial redemption of Notes which are represented by a Global Note, the relevant Notes will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or the CMU Service (as appropriate). If only some of the Notes then outstanding are to be so redeemed, the Optional Redemption Amount (after accounting for any interest accrued to (but excluding) the relevant Optional Redemption Date) shall be an amount that is (i) equal to or greater than the Minimum Redemption Amount and (ii) equal to or less than the Maximum Redemption Amount.

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

6.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 32 nor more than 60 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 6.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or the CMU Service, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is a Definitive Bearer Note, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the CMU Service (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or the CMU Service or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or the CMU Service from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Fiscal Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the CMU Service given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4 and instead to declare such Note forthwith due and payable pursuant to Condition 9.

6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360.

6.6 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Any Notes purchased may be reissued, resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation. 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 14.

6.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and surrendered for cancellation as contemplated in Condition 6.6 above (together with, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

6.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) seven days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

In these Conditions:

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); and

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

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 5.6); or
- (c) the holder of which would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or 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.

As used herein:

- (i) **Tax Jurisdiction** means the PRC (as defined in Condition 9), the United Arab Emirates or the DIFC or, in each case, any political subdivision or any authority thereof or therein having power to tax provided that if the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, the United Arab Emirates or the DIFC, respectively, references in these Conditions to the PRC, the United Arab Emirates or the DIFC shall be construed as references to the PRC, the United Arab Emirates, the DIFC (as the case may be) and such other jurisdiction; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **FATCA Withholding**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

8. 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.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT

If any of the following events (each an **Event of Default**) occurs and is continuing, any Noteholder may give written notice to the Issuer or to the Fiscal Agent or the Registrar, as applicable, in accordance with Condition 13 that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest (if any) without further formality:

(a) Non-payment

The Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of 30 days; or

(b) Breach of Other Obligations

The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the 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 or the Registrar, as applicable) 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 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 paragraph (c) have occurred equals or exceeds US\$30,000,000 or its equivalent; or

(d) Insolvency

The Issuer or any of its 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 its 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 its Material Subsidiaries, or the Issuer or any of its 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 its 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, Coupons 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 9(d) to 9(f) (both inclusive).

In this Condition 9:

Material Subsidiary means a Subsidiary of the Issuer 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; and

Public External Indebtedness means any indebtedness of the Issuer or any Subsidiary, 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 People's Republic of China (for the purposes hereof not including the Hong Kong and Macau Special Administration Regions or Taiwan) (**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.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or, as the case may be, the Registrar, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. AGENTS

The names of the initial Paying Agents and their initial specified offices in the case of a Bearer Note and the name and initial specified office of the initial Registrar in the case of a Registered Note and the Fiscal Agent are set out below.

The Issuer is entitled to vary or terminate the appointment of the Registrar or any Paying Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Paying Agent and/or Registrar and/or Transfer Agent acts, provided that:

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Registrar and a Transfer Agent which, so long as Registered Notes are listed on any stock exchange or admitted to listing by any other relevant authority, will have a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices to holders of Registered Notes will be deemed validly given if mailed by first class mail (or its equivalent) or (if posted to an overseas address) by airmail to their registered addresses appearing on the register. Any such notice shall be deemed to have been given on the third day after the day on which it was mailed. In addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, a copy of such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream, Luxembourg, be substituted for such

publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes or (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note, and, in addition, in the case of both (i) and (ii) above, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority, and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging and Paying Agent in Hong Kong, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

14.1 Meetings of Noteholders and Modification

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or, at any adjourned such meeting, one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution or (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

The Fiscal Agent, the Registrar and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. 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 the 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.

18. GOVERNING LAW AND DISPUTE RESOLUTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

18.2 Agreement to Arbitrate

Subject to Condition 18.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes and/or the Coupons (including any dispute as to their existence, validity, interpretation,

performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 18.2. For these purposes:

- (a) the seat of arbitration shall be London, England;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
- (c) the language of the arbitration shall be English.

18.3 Option to Litigate

Notwithstanding Condition 18.2 above, any Noteholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) if no arbitration has commenced,

require that a Dispute be heard by a court of law. If any Noteholder or Couponholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.4 and, subject as provided below, any arbitration commenced under Condition 18.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder or Couponholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) such arbitrator's entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

18.4 Effect of exercise of option to litigate

If a notice pursuant to Condition 18.3 is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 18.4 is for the benefit of the Noteholders and the Couponholders only. As a result, and notwithstanding paragraph (a) above, any Noteholder or Couponholder may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, any Noteholder or Couponholder may take concurrent Proceedings in any number of jurisdictions.

18.5 Appointment of Process Agent

The Issuer irrevocably appoints Industrial and Commercial Bank of China Limited, London Branch at its registered office at 81 King William Street, London, EC4N 7BG as its agent for service of process in England and agrees that, in the event of Industrial and Commercial Bank of China Limited, London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.6 Waiver of immunity

The Issuer irrevocably and unconditionally with respect to any Dispute or Proceedings to the full extent permitted by applicable law (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute or Proceedings and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment in connection with any Dispute or Proceedings.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] 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 manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution 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 Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs 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 PRIPs Regulation.

[SINGAPORE SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures Act (Capital Market 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 [capital markets products other than prescribed capital markets products] / [prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)¹

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, ACTING THROUGH INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, DUBAI (DIFC) BRANCH

Legal entity identifier (LEI): 254900RYF4STUN5BW294.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US\$8,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the offering circular dated 9 October 2019 [and the supplementary offering circular dated [date]] (the **Offering Circular**). This

¹ For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular and this Pricing Supplement are available for viewing during normal business hours at the registered office of the Issuer at Level 5 & 6, Gate Village 01, Dubai International Financial Centre, P.O. Box 506856, Dubai, United Arab Emirates.

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]

1. Issuer: Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch
2. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: []

(Note: where multiple denominations above €[100,000] or equivalent are being used the following sample wording should be followed:

“€[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].”

(N.B. If an issue of Notes is NOT listed on Nasdaq Dubai, the U.S.\$100,000 minimum denomination is not required.)

(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)

- (b) Calculation Amount: [] *(If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating rate notes — Interest Payment Date falling in or nearest to [specify month and year]]²
9. Interest Basis: [[] per cent. Fixed Rate]
 [[EURIBOR / LIBID / LIBOR / LIMEAN / SHIBOR / HIBOR / SIBOR / KLIBOR / EIBOR / SAIBOR / BBSW / AUD LIBOR / JPY LIBOR / PRIBOR / CNH HIBOR / TRLIBOR or TRYLIBOR / TIBOR / JIBAR / KIBOR] +/- [] per cent.
 Floating Rate]
 [Zero Coupon]
 (see paragraph [14]/[15]/[16] below)
10. Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
11. Change of Interest Basis or Redemption/Payment Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there][Not Applicable]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [Not Applicable]
 [(see paragraph [17]/[18] below)]
13. (a) Status of the Notes: Senior
- (b) Date [Board] approval for issuance of Notes obtained: []
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]

² Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

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

(a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]³

(N.B. This will need to be amended in the case of long or short coupons)

(c) Fixed Coupon Amount(s): [] per Calculation Amount⁴
(Applicable to Notes in definitive form.)

(d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
(Applicable to Notes in definitive form.)

(e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed)]

(f) Determination Date(s): [[] in each year] [Not Applicable]
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))

15. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]

(c) Additional Business Centre(s): []

(d) Manner in which the Rate of [Screen Rate Determination/ISDA Determination]

³ Note that for certain Renminbi 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 shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments [in Renminbi] and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [Hong Kong][London] and []”.

⁴ For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following wording may be appropriate: “Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the actual number of days in the Interest Period divided by 365 and rounding the resultant figure to the nearest [CNY]0.01, [CNY]0.005 being rounded upwards.”

Interest and Interest Amount is to be determined:

- (e) Party responsible for [] calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):
- (f) Screen Rate Determination:
- Reference Rate: [] month [*EURIBOR, LIBID, LIBOR, LIMEAN, SHIBOR, HIBOR, SIBOR, KLIBOR, EIBOR, SAIBOR, BBSW, AUD LIBOR, JPY LIBOR, PRIBOR, CNH HIBOR, TRLIBOR or TRYLIBOR, TIBOR, JIBAR, KIBOR*]
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR or the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
 - Relevant Time: []
 - Relevant Financial Centre: []
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
(In the case of a LIBOR, EURIBOR or CNH HIBOR based option, the first day of the Interest Period)
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)

- Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
30E/360 (ISDA)]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [[] per Calculation Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount
- (ii) Maximum Redemption Amount: [] per Calculation Amount
18. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [[] per Calculation Amount]
19. Final Redemption Amount: [[] per Calculation Amount]
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): [[] per Calculation Amount]
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]]
- [Registered Notes:
- [Registered Global Note (US\$[] nominal amount) registered in the name of [a nominee for a common depository for Euroclear and Clearstream, Luxembourg]]
- [(N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]).”)]]*
22. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which subparagraph 15(c) relates)*
23. Offshore Renminbi Centre(s): [Hong Kong [/and] London [/and] Taiwan/other relevant jurisdiction where clearing bank agreements have been established][and a reference to the Offshore Renminbi Centre shall mean[, other than for the purpose of Condition 5.6(b) of the Notes,] a reference to [any] of them]
- (Note that this paragraph relates to Conditions 5.1(a), 5.4 and 5.6(b) of the Notes and consideration should be given as to whether the relevant clearing system and the clearing bank agreements have appropriate mechanisms/procedures in place to deal with payments in the relevant offshore Renminbi centres)*
24. Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature): [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
- (Note – To be completed for an issuance of bearer Notes only. Not applicable for a registered issue of Notes)*

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.][Not Applicable]

Signed on behalf of Industrial and Commercial Bank of China Limited, acting through Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch

By: _____

duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange plc's International Securities Market and Nasdaq Dubai] and, if relevant, listing on [the Official List maintained by the Dubai Financial Services Authority]] with effect from [].]

(where documenting a fungible issue indicate that original notes are already admitted to trading)

- (b) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

[Each of [insert if a credit rating agency other than Moody's or S&P][insert Credit Rating Agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**)]

*[[Insert if a credit rating agency other than Moody's or S&P][insert Credit Rating Agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The rating of [insert if a credit rating agency other than Moody's or S&P][insert Credit Rating Agency] has been endorsed by [insert legal name of relevant EU-registered CRA entity] in accordance with the CRA Regulation. [Insert legal name of relevant EU-registered CRA entity] is established in the European Union and registered under the CRA Regulation. As such [insert legal name of relevant EU-registered CRA entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with*

the CRA Regulation. The European Securities and Markets Authority has indicated that ratings issued in [jurisdiction of non-EU CRA entity] which have been endorsed by [insert legal name of relevant EU-registered CRA entity] may be used in the EU by the relevant market participants.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - Amend as appropriate if there are other interests]

4. [REASON[S] FOR THE OFFER]

[If not for general corporate purposes such as, for example, a “green project”]

5. YIELD (Fixed Rate Notes only)

Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES (Floating Rate Notes only)

Details of historic [EURIBOR / LIBID / LIBOR / LIMEAN / SHIBOR / HIBOR / SIBOR / KLIBOR / EIBOR / SAIBOR / BBSW / AUD LIBOR / JPY LIBOR / PRIBOR / CNH HIBOR / TRLIBOR or TRYLIBOR / TIBOR / JIBAR / KIBOR] rates can be obtained from [Reuters].

7. OPERATIONAL INFORMATION

(a) ISIN: []

(b) Common Code: []

(c) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(d) FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned

the ISIN/Not Applicable/Not Available]

- (e) CMU Instrument Number: [] [Not Applicable]
- (f) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [CMU/Not Applicable/*give name(s) and number(s)*]
- (g) Delivery: Delivery [against/free of] payment
- (h) Names and addresses of additional Paying Agent(s) (if any): []

8. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Date of [Subscription] Agreement: []
- (d) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (e) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (f) U.S. Selling Restrictions: [Regulation S Category 2][TEFRA D/TEFRA C/TEFRA not applicable]

GREEN BOND FRAMEWORK

As a branch of the Bank, the Issuer has adopted the Green Bond Framework (as defined below) of the Bank.

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

- (a) the Green Bond Principles 2017 (GBP 2017), ICMA (the **ICMA Green Bond Principles**);
- (b) the Announcement of the People's Bank of China [2015] No.39 (中國人民銀行公告 [2015] 第39號) and the Catalogue of Projects Supported by Green Bonds (綠色債券支持項目目錄) promulgated by the PBOC on 15 December 2015 (the **PBOC Green Bond Categories**); and
- (c) 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 Green Bond Framework is publicly available on the global website of the Bank at: 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 has committed to publishing an "Annual Green Bond Report" annually, 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.

External Review

The Bank has engaged the Centre for International Climate Research (**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 the

official global website of the Bank at: www.icbc-ltd.com. In the Second Party Opinion issued by CICERO, the ICBC Green Bond Framework is awarded the Dark Green Shading.

The Bank 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

As at the end of 2018, the balance of domestic green credit that the Bank extended to energy-conservation and environmental-protection projects and services such as ecological protection, clean energy, and resource recycling reached RMB1,237.8 billion, increasing by RMB138.6 billion or 12.61 per cent. compared to the end of 2017. This increase exceeded the growth of the domestic corporate loans balance in the same period by about 6.6 per cent.

The Bank is active in developing the green bond market. In 2018, the Bank acted as underwriter for the issuances of six series of green bonds which raised in aggregate RMB65.5 billion and issued two series of dual-currency green bonds. Through its Beijing Branch, the Bank acted as an underwriter in connection with the issuance of one series of green asset-backed securities for a power company, which was the first clean energy asset-backed notes issued by a State-owned enterprise in the China Interbank Bond Market.

On 5 June 2018, the Bank issued green bonds denominated in U.S. dollars and euros through its London Branch, with an aggregate principal amount of U.S.\$1.6 billion. The bonds were listed on the London Stock Exchange, and was the largest single issuance of green bonds among the bonds listed in the London Stock Exchange. All the proceeds raised from this bond issuance were used to support projects of green assets such as clean transportation and renewable energy. The bonds continue to be in compliance with the Green Bond Framework, and have been certified by the Climate Bond Initiative as "Climate Bonds", meaning they are consistent with domestic and international green finance best practices.

On 13 June 2018, the Bank issued green bonds denominated in U.S. dollars and Hong Kong dollars through its subsidiary, Industrial and Commercial Bank of China (Asia) Limited, with an aggregate principal amount of U.S.\$730 million. The bonds were listed on the Hong Kong Stock Exchange. The bonds continue to be in compliance with the Green Bond Framework, meeting the latest domestic and international green bond standards, and also received a pre-issuance stage certificate from the HKQAA. These were the first green bonds issued by a financial institution that were certified by the HKQAA (an agency under the Hong Kong Special Administrative Region Government) and the first green bonds issued by a licensed bank in Hong Kong.

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 U.S. dollar-denominated notes, one series of euro-denominated notes and one series of Renminbi-denominated 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. When providing annual bank statement services to its customers, the Bank includes the number of transactions handled through the Bank’s online channel as well as estimate of the reductions in carbon emissions as a result of such transactions, to spread the concept of energy conservation and environmental protection.

In 2018, the number of the Bank’s e-banking transactions accounted for approximately 97.7 per cent. of the Bank’s total transactions, an increase of approximately 2.8 per cent. as compared to 2017.

In 2018, the Bank’s (i) standard coal equivalence of reductions was approximately 46.4 million (2017: 42.5 million) tonnes, (ii) CO₂ equivalence of reductions was approximately 89.6 million (2017: 75.6 million) tonnes, (iii) chemical oxygen demand emission reduction was approximately 233,100 (2017: 158,300) tonnes, (iv) ammonia nitrogen emission reduction was approximately 39,300 (2017: 16,100) tonnes, (v) SO₂ emission reduction was approximately 43,300 (2017: 124,300) tonnes, (vi) nitrogen oxides emission reduction was approximately 37,200 (2017: 61,500) tonnes and (vii) water savings amounted to approximately 42.9 million (2017: 34.9 million) tonnes. The Bank’s head office promoted energy efficiency by lowering its office power consumption from 19,408 MWh in 2017 to 18,039 MWh in 2018. It also reduced its official vehicle oil consumption from 86,109 litres in 2017 to 76,699 litres in 2018.

In addition, in 2018 the Bank increased its involvement in strengthening research into green finance, and was involved in many ground-breaking research achievements. In December 2018, CSI 180 ESG Index, an outcome of the joint efforts by the Bank and China Securities Co., Ltd., was officially launched. ESG stands for environment, social responsibility, and corporate governance and is used to measure corporate sustainability. This is the first ESG index published by a Chinese financial institution. As a member of the People’s Bank of China’s Green Finance Committee, the Bank has established the ICBC Green Finance Research Group, a dedicated research team for green finance, leading research efforts in, amongst others, green finance strategies, stress testing, green bonds, green indices, and carbon finance, and has since released the ESG Green Rating and the Green Index Report.

International Exchange and Cooperation

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

- In 2012, the Bank became the first Chinese commercial bank to join the United Nations 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 former CBRC.
- 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 of 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”.

- In 2016, as co-Chairman of the B20 Financing Growth Task Force, the Bank raised the topic of green finance on behalf of the business community, which was included for the first time in the B20 core issues.
- In 2018, the Bank was the only Chinese bank in the core group of United Nations Environment Program Finance Initiative (UNEP FI)’s development of “Principles for Sustainable Global Banking”.
- The Bank was selected for several consecutive years as a composite share in the Hang Seng Corporate Sustainability Indexes. The Bank was also the first Chinese financial institution to join the Task Force on Climate-related Financial Disclosures (TCFD). It is also a standing council member of the China Green Finance Committee since its establishment in 2015 contributing to the development of the market through participation and research.

The Bank’s Internal Policies relating to Green Credit

The following describes some of the Bank’s internal policies relating to green credit and green financing.

Improving the Policy System

The Bank issued the Opinions on Comprehensively Strengthening Green Finance, which defined the work objectives and basic principles, clarified the main workstreams and specific measures for strengthening green finance, including 27 measures in six areas (such as furthering green adjustment of investment and financing structures, comprehensively strengthening environmental and social risk management, actively carrying out green financial innovation, conscientiously implementing regulatory requirements, strengthening the organisation of green finance work and ensuring its proper functioning as well as day-to-day management), thus laying a solid foundation for green finance, building a world-class green bank and realising the sustainable development of the investment and financing business. Below are some of the Bank’s key policies:

- Since 2003, the Bank has released a revised industrial (green) credit policy each year. It acted in accordance with trends in green credit policy and the requirements for different industries, gives higher industry positioning to green industries such as ecological protection, clean energy, energy conservation and environmental protection and circular economy, establishes the relationship between industry positioning and economic capital and encourages and guides the Bank to actively support the credit business in the green economy.
- The Bank has prepared and issued the Opinions on Credit Support for Key Areas of Advanced Manufacturing and the Guidelines on Credit for Energy Conservation, among others, to provide guidance for the Bank to actively cultivate emerging green credit markets such as energy conservation and emission reduction and circular economy.
- Influenced by the Equator Principles and IFC performance standards and guidance, the Bank issued the Management Measures for Classification of Green Credit, which classified corporate loan customers of the Bank in the mainland and their projects into twelve types in four categories based on the degree of impact on the environment, and embedded that into the internal asset management system, thereby enabling the scientific and quantitative management of customers’ environmental and social risks.

Strengthening the Management of Environmental and Social Risks

In 2018, the Bank further required each branch to tighten the environmental criteria for customers in key industries and localities, strictly implementing the “Environmental Protection One-Veto System”, safeguarding the compliance bottom line of environmental and social risks, and enhancing the control of investment and financing risks of high-risk customers. It sets out the required actions and focal points in each step of green credit, and strengthened the whole-process management of investment and financing-related environmental and social risks in accordance with environmental and social risk compliance requirements and on the basis of the customer/project’s characteristics.

Providing More Safeguards for Green Credit

The system of performance assessment indicators of the Board of Directors for senior management members contained economic benefit indicators, risk and cost control indicators and social responsibility indicators. In 2018, the Bank adjusted the quantitative indicators for green credit and included them as quarterly performance assessment indicators system of branches, thereby further improving the performance assessment and incentives for green credit work.

The Bank also added statistical data for ‘energy-conserving and environmental-friendly projects and services’ (including eight sub-indicators such as classification of energy-conserving and environmental-friendly projects and services and project’s energy-conserving and emission-reducing effects) in the credit management system as early as in 2014. In 2018, the Bank collated and verified the green credit categorisation as well as statistical data quality of project loans to corporate customers of the entire Bank. It further improved the quality of basic data and perfected the green credit statistical analysis.

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 (including the Issuer) shall conduct an initial 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.

Such Eligible Green Assets include those which relate to the following categories: renewable energy; low carbon and low emission transportation; energy efficiency; and sustainable water and wastewater management.

Renewable energy refers to the generation and transmission of energy from renewable energy sources. Renewable energy sources include offshore and onshore wind, solar, tidal, hydropower (subject to conditions), biomass and geothermal. This category is aligned with the ‘renewable energy’ category described in the ICMA Green Bond Principles.

Low carbon and low transportation refers to low energy or emission transportation assets, systems, infrastructure, components and services, excluding any infrastructure or rolling stock assets used for the transportation of fossil fuel products. Some examples of assets in this category include rail tram, metro, bus rapid transit systems and electric vehicles. This category is aligned with the “clean transportation” category described in the ICMA Green Bond Principles.

Energy efficiency refers to (i) the development of products or technology and their implementation that reduces energy consumption of underlying assets, technology, product(s) or system(s) (examples of assets include LED lights, improved chillers, improved lighting technology and reduced power usage in manufacturing operations); and (ii) improved efficiency in the delivery of bulk energy services (examples of assets include district heating/cooling systems, smart grids, and transmission and distribution of energy that results in reduced energy losses). This category is aligned with the “energy efficiency” category described in the ICMA Green Bond Principles.

Sustainable water and wastewater management refers to water collection, treatment, recycling, re-use, technologies and related infrastructure. Some examples of assets in this category include water pipes and collection facilities to collect water/rainwater, dams and treatment plant facilities. This category is aligned with the “sustainable water and wastewater management” category described in the ICMA Green Bond Principles.

Financings within the fossil fuel related assets, large scale hydropower plants and/or nuclear and nuclear-related assets categories are specifically excluded.

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 Assets 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 Assets 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 "*Project Evaluation and Selection*" above 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 issuance of Green Bonds 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 Banks'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 has selected the equivalent of U.S.\$9.41 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.

The table below sets out the breakdown of Eligible Green Asset by region:

Location	Proportion (%)
China	93.88
Australia.....	3.23
Morocco.....	1.40
Pakistan.....	0.80
UK	0.57
Thailand	0.12
Total	100.00

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, reducing 2,656,445 tons of CO₂ per year.

CBI Certification Disclaimer

The certification of the Green Bonds as "Climate Bonds" by the CBI is based solely on the Climate Bond Standards 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 Standards.

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.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's unaudited capitalisation as at 30 June 2019. Please read this table in conjunction with the Group's unaudited interim condensed consolidated financial statements and the accompanying notes thereto, which are incorporated by reference in this Offering Circular as described under “*Information Incorporated by Reference*”.

	As at 30 June 2019
	<i>(RMB millions)</i>
Debt⁽¹⁾	
Debt securities issued ⁽²⁾	775,410
Total debt securities issued	<u>775,410</u>
Equity	
Share capital	356,407
Other equity instruments.....	86,051
Reserves.....	686,396
Retained profits.....	1,284,522
Non-controlling interest	15,519
Total equity	<u>2,428,895</u>
Total capitalisation⁽³⁾	<u>3,204,305</u>

Notes:

- (1) As at 30 June 2019, 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 30 June 2019, we have issued additional debt securities in the ordinary course of business. See “*Recent Developments – Recent Issuances*”.
- (3) Total capitalisation equals the sum of total debt securities issued and total equity.

Save as disclosed in this Offering Circular, there has not been any material change in the capitalisation of the Group since 30 June 2019.

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, Manila, Vienna and Zurich). The Issuer is a branch of the Bank in the Dubai International Financial Centre (the **DIFC**), a financial free-zone in Dubai, United Arab Emirates. 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*”.

The Bank commenced operations in the DIFC in 2008, initially through its subsidiary Industrial and Commercial Bank of China (Middle East) Limited, a limited liability company incorporated in the DIFC. Industrial and Commercial Bank of China (Middle East) Limited was registered with the Dubai Financial Services Authority (the **DFSA**) as an “Authorised Firm” for the purposes of article 42(1)(a) of DIFC Law No. 1 of 2004, as amended (the **DIFC Regulatory Law**) from 28 April 2008 until 22 July 2014.

In 2013, Industrial and Commercial Bank of China (Middle East) Limited’s operations were transferred to Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch (the **Dubai (DIFC) Branch**) which obtained its licence from the DIFC on 13 November 2013 and obtained its licence from the DFSA on 20 November 2013. The registered office of the Dubai (DIFC) Branch is at Level 5 & 6, Gate Village 01, Dubai International Financial Centre, P.O. Box 506856, Dubai, United Arab Emirates, its registration number is 1481 and its telephone number is +971 4703 1111.

The Dubai (DIFC) Branch is authorised and regulated by the former CBRC and is authorised and regulated in the DIFC by the DFSA as an “Authorised Firm” in accordance with article 42(1)(a) of the DIFC Regulatory Law. The Dubai (DIFC) Branch appears on the list of the entities authorised and supervised by the DFSA which is available on the DFSA’s website: www.dfsa.ae.

The Dubai (DIFC) Branch uses the Group’s advantages and regional resources to provide comprehensive financial services for Chinese companies in the Middle East while attracting target customers on the local market.

Regulated Activities and Services

In the DIFC, the Dubai (DIFC) Branch is authorised by the DFSA to carry out the following regulated activities and services: (i) accepting deposits; (ii) advising on financial products or credit; (iii) arranging credit or deals in investments; (iv) arranging custody; (v) dealing in investments as agent; (vi) dealing in investments as principal; (vii) managing assets; and (viii) providing credit.

Dubai Financial Services Authority

The DFSA was established under Articles 3 and 7 of Dubai Law No. 9 of 2004 and is the independent body responsible for supervising and regulating all financial and professional services conducted in or from the DIFC as well as licensing, authorising and registering institutions and individuals to conduct those services.

The DFSA’s regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange.

In discharging its regulatory mandate, the DFSA has a statutory obligation to pursue the following objectives:

- to foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in the DIFC;
- to foster and maintain confidence in the financial services industry in the DIFC;
- to foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
- to prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC, through appropriate means including the imposition of sanctions;
- to protect direct and indirect users and prospective users of the financial services industry in the DIFC;
- to promote public understanding of the regulation of the financial services industry in the DIFC; and
- to pursue any other objectives as the Ruler of Dubai may, from time-to-time, set under DIFC Law.

The DFSA is an Associate Member of the International Organisation of Securities Commissions (**IOSCO**).

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 26th 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 and the six months ended 30 June 2018 and 2019, we achieved profit for the year or period of RMB287,451 million, RMB298,723 million, RMB160,657 million and RMB168,690 million, respectively. As at 31 December 2017 and 2018 and 30 June 2019, we had total assets of RMB26,087,043 million, RMB27,699,540 million and RMB29,990,476 million, respectively, and our net loans and advances to customers totalled RMB13,892,966 million, RMB15,046,132 million and RMB15,854,208 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 and 30 June 2019, we had RMB27,699,540 million and RMB29,990,476 million in total assets respectively.

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**), a rating of “A1” with a stable outlook by Moody’s Investors Service Hong Kong Ltd. (**Moody’s**) and a rating of “A” with a stable outlook by Fitch (Hong Kong) Limited (**Fitch**).

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. As at 30 June 2019, our risk-weighted assets to total assets ratio was 60.58 per cent. and our loan-to-deposit ratio was 68.5 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 “13th 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 RMB1.14 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. For the six months ended 30 June 2019, our fee and commission income was RMB88,501 million, representing an increase of 11.66 per cent. as compared to the same period in 2018, as a result of the Bank actively reducing fees and offering discounts. 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 and 30 June 2019 was 1.52 per cent. and 1.48 per cent. respectively.

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.S.), 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, promoted the upgrade of our conventional business, expanded the means for our business innovation, improved our diversified financial service capability, and further consolidated 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 chairman, Mr. Chen Siqing, joined us in 2019 and has over 20 years of experience in the PRC 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. As at 30 June 2019, our corporate loans further increased to RMB9,906.0 billion.

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. As at 30 June 2019, our corporate deposits further increased to RMB12,405.6 billion.

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, 31 December 2018 and 30 June 2019, 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 and 30 June 2019, the balance of our personal deposits amounted to RMB8,568.9 billion and RMB9,436.4 billion and RMB10,272.8 billion, respectively, representing an increase of 10.1 per cent. from 31 December 2017 to 31 December 2018 and an increase of 8.9 per cent. from 31 December 2018 to 30 June 2019. As at 31 December 2018, our personal demand deposits and personal time deposits rose by 2.9 per cent. and 15.9 per cent., respectively, compared to such deposits as at 31 December 2017. As at 30 June 2019, our personal demand deposits and personal time deposits rose by 2.2 per cent. and 13.6 per cent., respectively, compared to such deposits as at 31 December 2018.

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. As at 30 June 2019, our personal loans amounted to RMB6,038.4 billion, representing an increase of 7.1 per cent. compared with personal loans as at 31 December 2018. Our residential mortgages grew by RMB325,472 million, representing an increase of 7.1 per cent. as at 30 June 2019 as compared to such residential mortgages as at 31 December 2018.

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 RMB43,719 million in 2018 and a fee income of RMB22,480 million during the six months ended 30 June 2019. 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 U.S.\$2,000 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 bonds with a fixed interest rate of 4.40 per cent. per annum and a tranche of RMB10 billion bonds with a fixed interest rate of 4.69 per cent. per annum. In July 2019, the Bank publicly issued the undated additional tier 1 capital bonds of RMB80.0 billion in China's national interbank bond market. The funds raised will be used to replenish the Bank's additional tier 1 capital in accordance with the applicable laws and approvals by the regulatory authorities.

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 RMB411.0 billion in 2017 and to RMB587.1 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 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. In 2018, we issued 26 tranches of credit asset securitisation programmes totalling RMB216,806 million in Mainland China. Among them, 16 tranches were residential mortgage securitisation programmes, six tranches were non-performing personal loans securitisation programmes, three tranches were non-performing credit card asset securitisation programmes and one tranche was a corporate loan asset securitisation programme.

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” 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 in 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 U.S.\$19.1 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 sets 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)	—	—	—	—
Subtotal	354,312	380,518	3,492	3,729	419	426
Investment in Standard Bank ⁽¹⁾	4,285	3,786	426	386	—	—
Total	358,597	380,304	3,918	4,115	419	426

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.

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  IRKETI (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. As 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, 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 honoured 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 our 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 of RMB27,699,540 million as at the same date. As at 30 June 2019, the aggregate amount of pending legal proceedings in which we acted as defendant was RMB4,262 million. 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

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.

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 of 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 of 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.

Appointment of Directors and Supervisor

On 30 May 2019, the Bank announced that the Board had resolved that Mr. Lu Yongzhen be nominated as candidate for the election as Non-executive Director of the Bank. The election of Mr. Lu Yongzhen as Non-executive Director of the Bank is subject to the consideration and approval at the Shareholders' General Meeting of the Bank and the approval of the CBIRC.

Appointment of Directors

The appointments of Mr. Hu Hao and Mr. Tan Jiong as Executive Directors of the Bank were approved by CBIRC on 1 July 2019, pursuant to which their respective appointments as Executive Directors of the Bank became effective on 1 July 2019. Mr. Hu and Mr. Tan had earlier been elected as Executive Directors in the First Extraordinary General Meeting of 2019 of the Bank on 20 May 2019.

On 29 August 2019, the Bank announced that Mr. Gu Shu be nominated as candidate for re-election as Executive Director of the Bank. The term of office of Mr. Gu Shu as Executive Director of the Bank will expire in December 2019. The Board had resolved that Mr. Gu Shu be nominated as candidate for re-election as Executive Director of the Bank, and that he shall retain his post as Vice Chairman and his memberships in the special committees of the Board after the shareholders' general meeting of the Bank approves his re-election as Executive Director of the Bank. The appointment of Mr. Gu Shu as Executive Director of the Bank is subject to the consideration and approval at the shareholders' general meeting of the Bank, and his new term of office as Executive Director of the

Bank will commence on the date when the approval from the shareholders' general meeting of the Bank has been obtained.

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 and 22 May 2019, the CBIRC officially approved the establishment and commencement of operation of ICBC Wealth Management, respectively. ICBC Wealth Management is registered in Beijing with a registered capital of RMB16 billion and will specialise in the issuance of publicly-offered and privately-offered wealth management products.

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.

Proposed Issuance of Preference Shares

On 30 August 2018, the 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. 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.

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.

Commencement of Operation of ICBC Austria Bank GmbH (ICBC (Austria))

On 22 May 2019, the Bank announced ICBC (Austria)'s commencement of business in Vienna. The opening of ICBC (Austria) promotes the cooperation between China and Central and Eastern Europe under the Belt and Road Initiative. The Bank will play its role as a financial bridge in key areas such as advanced manufacturing, energy conservation and environmental protection, technological innovation, winter sports industry and other new areas for growth.

Non-Public Issuance of Domestic Preference Shares

On 10 June 2019, the Issuance Review Committee of the CSRC approved ICBC's application in relation to the Non-Public Issuance of preference shares of no more than 700 million domestic preference shares by the Bank. The approval by CSRC will be effective for six months from the date of approval. ICBC will be the Issuer of the non-public preference shares, with Guotai Junan Securities Co., Ltd. and CITIC Securities Company Limited as the joint lead underwriters.

Investment in Bank of Jinzhou Co., Ltd.

On 28 July 2019, the Bank announced that ICBC Financial Asset Investment Co., Limited (**ICBC Investment**), a wholly-owned subsidiary of the Bank, recently signed share transfer agreements with the transferors of the relevant shares to make a financial investment in the shares of Bank of Jinzhou Co., Ltd. (the **Bank of Jinzhou Investment**). Completion of the transfer of the relevant shares is subject to the satisfaction of the relevant conditions specified in the agreement.

The Bank of Jinzhou Investment is an investment made by the Bank to serve the financial supply-side reform of the country and to enhance the ability to serve the real economy. The Bank of Jinzhou Investment is also a financial investment made by ICBC Investment and the investee will not be consolidated in the consolidated financial statements of the Bank.

Recent Issuances

On 29 July 2019, the Bank's London Branch issued GBP600,000,000 1.50 per cent. fixed rate notes due 2022.

On 30 July 2019, the Bank issued RMB80 billion 2019 Undated Additional Tier 1 Capital Bonds on 30 July 2019. The coupon rate is 4.45 per cent. during the first five years, and will be reset every five years.

On 16 September 2019, the Bank's Hong Kong Branch issued (i) U.S.\$1,000,000,000 floating rate notes due 2022; (ii) U.S.\$500,000,000 2.25 per cent. fixed rate notes due 2022; (iii) U.S.\$1,000,000,000 floating rate notes due 2024; (iv) HK\$4,000,000,000 2.20 per cent. fixed rate notes due 2021; and (v) CNY1,000,000,000 3.10 per cent. fixed rate notes due 2020.

Redemption of Subordinated Bonds

On 23 July 2019, the Bank fully redeemed RMB24 billion of subordinated bonds issued in the China national inter-bank bond market.

On 5 August 2019, the Bank fully redeemed RMB20 billion of tier-2 capital bonds issued in the China national inter-bank bond market.

Exercise of the Put Option by Standard Bank Group

On 29 August 2019, the Bank announced that the Board had approved the Bank to cooperate with Standard Bank London (as defined below) on its exercise of the put option in respect of its remaining 20 per cent. of the shares in each of the Target Companies (as defined below).

On 5 August 2011, the Bank, in respect of the Bank's purchase of 80 per cent. of the shares in each of Standard Bank Argentina S.A. (now renamed as Industrial and Commercial Bank of China (Argentina) S.A.), Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión (now renamed as ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión) and Inversora Diagonal Sociedad Anónima (the above three companies acquired are called the **Target Companies**) (the **Historical Transaction**), signed the Memorandum of Agreement in relation to the sale and purchase of shares in the Target Companies in respect of the

Historical Transaction with Standard Bank London Holdings Plc (now renamed as Standard Bank London Holdings Limited, **Standard Bank London**), Holding W-S De Inversiones S.A. (**W-S Holding Company**) and Standard Bank London's guarantor, namely Standard Bank Group Limited (**Standard Bank Group**), and W-S Holding Company's guarantors, namely members of the Sielecki Family and members of the Wertheim Family. Upon completion of the Historical Transaction on 30 November 2012, the Bank held 80 per cent. of the shares in each of the Target Companies, and Standard Bank London held 20 per cent. of the shares in each of the Target Companies.

On 7 August 2019, pursuant to the shareholders' agreement between Standard Bank London and the Bank amongst others, Standard Bank London had formally delivered the put option notice to the Bank on 7 August 2019 to exercise the put option, requiring the Bank to purchase the 20 per cent. of the shares held by Standard Bank London in the Target Companies and the put option notice has been officially effective from 8 August 2019.

The Board has also approved the Bank to declare such relevant matters to the regulatory authorities, and, after completion of all regulatory procedures, to complete the closing of the acquisition of shares at the agreed exercise price of the put option. The Board has also authorised the Bank's management to make decisions and carry out the relevant post-completion matters in cooperation with the exercise of the put option. The total consideration for this transaction is U.S.\$180,750,605.85.

The performance of this transaction is subject to the completion of the approval, filing, registration and other procedures of the relevant domestic and overseas regulatory authorities.

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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>						
Corporate deposits						
Time deposits	4,635,661	23.7%	5,076,005	23.7%	5,347,694	23.1%
Demand deposits	6,069,804	31.0%	6,405,136	29.9%	7,057,901	30.5%
Subtotal	10,705,465	54.7%	11,481,141	53.6%	12,405,595	53.6%
Personal deposits						
Time deposits	4,748,525	24.3%	5,505,236	25.7%	6,256,590	27.1%
Demand deposits	3,820,392	19.5%	3,931,182	18.4%	4,016,237	17.4%
Subtotal	8,568,917	43.8%	9,436,418	44.1%	10,272,827	44.5%
Other deposits ⁽¹⁾	288,554	1.5%	268,914	1.3%	216,917	0.9%
Accrued interest	—	—	222,461	1.0%	230,098	1.0%
Total	<u>19,562,936</u>	<u>100.0%</u>	<u>21,408,934</u>	<u>100.0%</u>	<u>23,125,437</u>	<u>100.0%</u>

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%
Total	<u>19,562,936</u>	<u>100.0%</u>	<u>21,408,934</u>	<u>100.0%</u>

Capital Adequacy

The following tables set 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.

Item	As at 31 December				As at 30 June	
	2017		2018		2019	
	Group	Parent Company	Group	Parent Company	Group	Parent Company
	(in RMB millions, except for percentages)					
Calculated in accordance with the Capital Regulation:						
Net Core Tier 1 Capital	2,030,108	1,856,054	2,232,033	2,040,396	2,315,462	2,089,035
Net Tier 1 Capital.....	2,110,060	1,935,429	2,312,143	2,102,348	2,395,570	2,150,999
Net Capital Base.....	2,406,920	2,216,707	2,644,885	2,419,120	2,861,532	2,603,463
Core Tier 1 Capital Adequacy Ratio	12.77%	12.88%	12.98%	13.23%	12.74%	12.82%
Tier 1 Capital Adequacy Ratio	13.27%	13.44%	13.45%	13.63%	13.19%	13.20%
Capital Adequacy Ratio	15.14%	15.39%	15.39%	15.68%	15.75%	15.98%

Item	As at 31 December			
	2017		2018	
	Group	Parent Company	Group	Parent Company
	(in RMB millions, except for percentages)			
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. As at 30 June 2019, 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 12.74 per cent., 13.19 per cent. and 15.75 per cent., respectively, all complying with regulatory requirements.

In 2018 and the first half of 2019, 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 tables set forth information relating to the Group's capital adequacy as at 31 December 2017 and 2018 and as at 30 June 2019, calculated in accordance with the Capital Regulation.

	As at 31 December		As at 30 June
	2017	2018	2019
<i>(in RMB millions, except percentages)</i>			
Core Tier 1 Capital	2,044,390	2,247,021	2,330,151
Paid-in capital	356,407	356,407	356,407
Valid portion of capital reserve	151,952	151,968	151,969
Surplus reserve	232,660	261,636	262,152
General reserve	264,850	278,980	279,223
Retained profits	1,096,868	1,205,924	1,283,370
Valid portion of minority interests	2,716	3,752	3,875
Others	(61,063)	(11,646)	(6,845)
Core Tier 1 Capital deductions	14,282	14,988	14,689
Goodwill	8,478	8,820	8,876
Other intangible assets other than land use rights	1,532	1,927	2,229
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,708)	(3,739)	(4,396)
Investment in Core Tier 1 Capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	7,980
Net Core Tier 1 Capital	2,030,108	2,232,033	2,315,462
Additional Tier 1 Capital	79,952	80,110	80,108
Additional Tier 1 Capital instruments and related premium	79,375	79,375	79,375
Valid portion of monitoring interests	577	735	733
Net Tier 1 Capital	2,110,060	2,312,143	2,395,570
Tier 2 Capital	297,360	332,742	465,962
Valid portion of Tier 2 Capital instruments and related premium ..	222,321	202,761	292,478
Surplus provision for loan impairment	71,736	127,990	171,683
Valid portion of minority interests	3,303	1,991	1,801
Tier 2 Capital deductions	500	—	—
Significant minority investments in Tier 2 Capital instruments issued by financial institutions that are not subject to consolidation	500	—	—
Net capital base	2,406,920	2,644,885	2,861,532
Risk-weighted assets ⁽¹⁾	15,902,801	17,190,992	18,167,672
Core Tier 1 Capital Adequacy Ratio	12.77%	12.98%	12.74%
Tier 1 Capital Adequacy Ratio	13.27%	13.45%	13.19%
Capital Adequacy Ratio	15.14%	15.39%	15.75%

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. As at 30 June 2019, the capital adequacy ratios of the Bank (Group) were 12.74 per cent. for Core Tier 1 Capital, 13.19 per cent. for Tier 1 Capital, and 15.75 per cent. for Capital. 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.

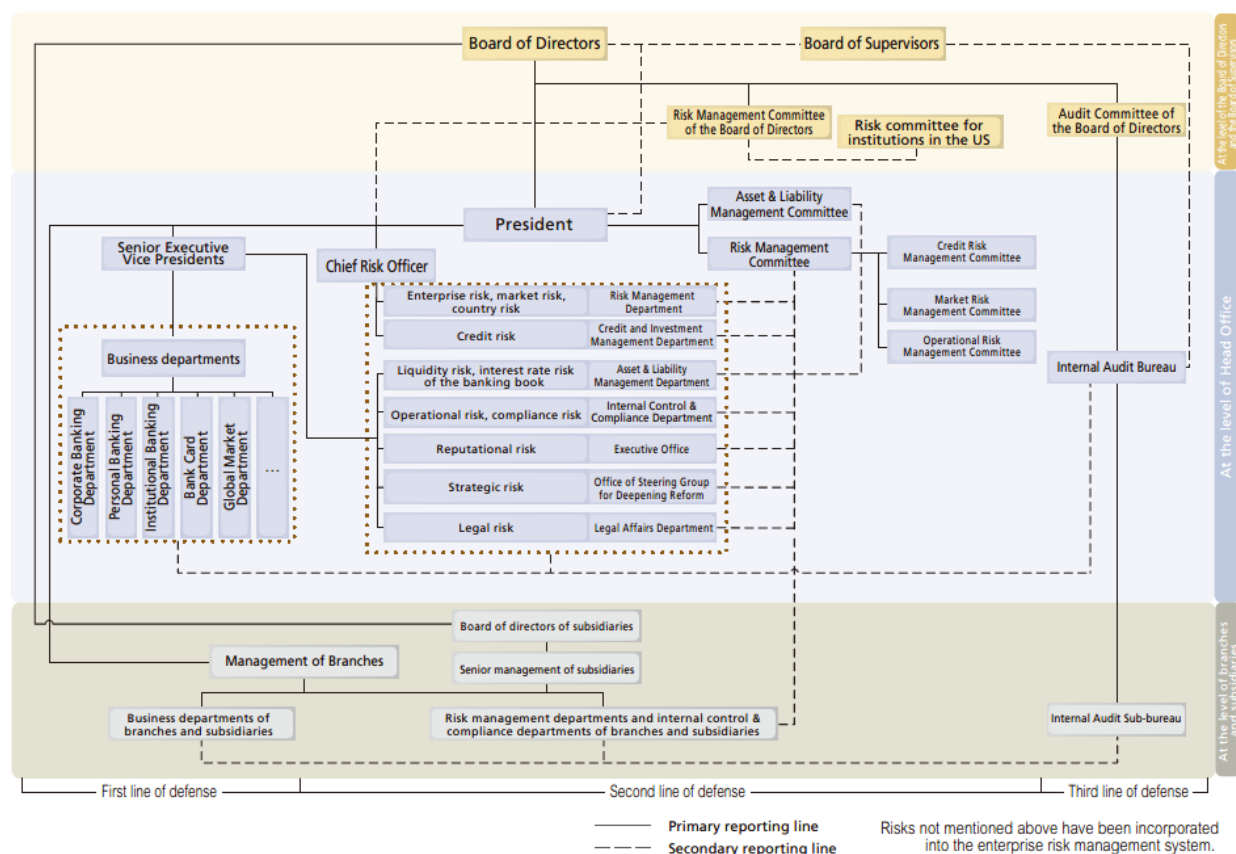
RISK MANAGEMENT

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 and 30 June 2019, our NPL ratios were 1.55 per cent., 1.52 per cent. and 1.48 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.

Type of Collateral	Maximum Loan-to-Value Ratio
Properties	
Real estate	70%
Land use rights	70%
Movable assets	50%
Monetary assets	
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 the 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 was 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 and our unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2019 together with the related notes thereto incorporated by reference in this Offering Circular. Save as described in “Presentation of Financial and Other 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 and 30 June 2019, our total assets amounted to RMB26,087,043 million, RMB27,699,540 million and RMB29,990,476 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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	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	—	16,271,224	—
Add: Accrued interest	—	—	38,958	—	43,820	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost.....	340,482	—	412,731	—	460,836	—
Loans and advances to customers, net.....	13,892,966	53.2%	15,046,132	54.3%	15,854,208	52.9%
Investment.....	5,756,704	22.1%	6,754,692	24.4%	7,219,097	24.1%
Cash and balances with central banks	3,613,872	13.9%	3,372,576	12.2%	3,993,112	13.3%
Due from banks and other financial institutions	847,611	3.2%	962,449	3.5%	955,009	3.2%
Reverse repurchase agreements.....	986,631	3.8%	734,049	2.6%	954,807	3.2%
Other assets	989,259	3.8%	829,642	3.0%	1,014,243	3.3%
Total assets.....	26,087,043	100.0%	27,699,540	100.0%	29,990,476	100.0%

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. As at 30 June 2019, our total assets further increased by 8.3 per cent. to RMB29,990,476 million. The increase in our total assets from 31 December 2017 to 31 December 2018 and from 31 December 2018 to 30 June 2019 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.

As at 30 June 2019, we had total assets of RMB29,990,476 million, representing an increase of 8.3 per cent. from total assets of RMB27,699,540 million as at 31 December 2018, of which loans and advances to customers increased by RMB851,319 million, or 5.5 per cent., investment increased by RMB464,405 million, or 6.9 per cent., and cash and balances with central banks increased by RMB620,536 million, or 18.4 per cent. In terms of structure, loans and advances to customers, net accounted for 52.9 per cent. of total assets, representing a decrease of 1.4 per cent. from 31 December 2018; investment accounted for 24.1 per cent. of total assets, representing a decrease of 0.3 per cent. from 31 December 2018; cash and balances with central banks accounted for 13.3 per cent. of total assets, representing an increase of 1.1 per cent. from 31 December 2018; due from banks and other financial institutions, net accounted for 3.2 per cent. of total assets, representing a decrease of 0.3 per cent. from 31 December 2018; reverse repurchase agreements accounted for 3.2 per cent. of total assets, representing an increase of 0.6 per cent. from 31 December 2018; and other assets accounted for 3.3 per cent. of total assets, representing an increase of 0.3 per cent. from 31 December 2018.

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 and 30 June 2019, our loans and advances to customers, net of allowances for impairment losses, accounted for 53.2 per cent., 54.3 per cent. and 52.9 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. As at 30 June 2019, our gross loans and advances to customers amounted to RMB16,271,224 million, representing an increase of 5.5 per cent. compared to 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 the first half of 2019, we strengthened our support for the real economy, by supporting the key areas such as major infrastructure projects under construction and for weakness improvement, advanced manufacturing, national strategic regions, private enterprises and inclusive finance, as well as the financing demands of resident households for owner-occupied houses. As at 30 June 2019, RMB-denominated loans of domestic branches were RMB14,374,717 million, representing an increase of 5.8 per cent. as compared to 31 December 2018.

In 2017, 2018 and in the first half of 2019, 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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	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%	9,906,046	60.9%
Discounted bills	351,126	2.5%	364,437	2.4%	326,821	2.0%
Personal loans	4,945,458	34.7%	5,636,574	36.6%	6,038,357	37.1%
Total	14,233,448	100.0%	15,419,905	100.0%	16,271,224	100.0%

As at 31 December 2017 and 2018 and 30 June 2019, our corporate loans accounted for 62.8 per cent., 61.0 per cent. and 60.9 per cent., respectively, of our gross loans and advances to customers and our personal loans accounted for 34.7 per cent., 36.6 per cent. and 37.1 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. As at 30 June 2019, our corporate loans increased by 5.2 per cent. from RMB9,418,894 million as at 31 December 2018 to RMB9,906,046 million. 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 and 30 June 2019, our total discounted bills accounted for 2.5 per cent., 2.4 per cent. and 2.0 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. As at 30 June 2019, our discounted bills decreased by RMB37,616 million to RMB326,821 million. 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. As at 30 June 2019, our personal loans increased by 7.1 per cent. from RMB5,636,574 million as at 31 December 2018 to RMB 6,038,357 million. The increase of our total personal loans was mainly attributable to our active support of citizens' borrowing needs for owner occupied-houses; personal business loans increased by RMB85,981 million or 39.8 per cent., primarily attributable to the rapid growth of e-Mortgage Quick Loan, Quick Lending for Operation and other online loan products in the inclusive finance.

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 ⁽¹⁾	2,802,542	31.4%	2,504,493	26.6%
Medium to long-term corporate loans ⁽²⁾	6,134,322	68.6%	6,914,401	73.4%
Total corporate loans	8,936,864	100.0%	9,418,894	100.0%

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 2018, our short-term corporate loans amounted to RMB2,504,493 million representing a decrease of 10.6 per cent. from 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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	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%	1,992,873	23.7%
Manufacturing	1,409,206	18.6%	1,385,463	17.4%	1,428,016	16.9%
Production and supply of electricity, heat, gas and water	900,484	12.0%	919,768	11.5%	940,262	11.1%
Leasing and commercial services	910,672	12.1%	1,048,548	13.2%	1,147,296	13.6%
Water, environment and public utility management	655,533	8.7%	770,221	9.7%	876,056	10.4%
Wholesale and retail	568,011	7.6%	488,031	6.1%	476,343	5.6%
Real estate	501,769	6.7%	592,031	7.4%	651,052	7.7%
Mining	208,675	2.8%	185,313	2.3%	186,182	2.2%

	As at 31 December				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>						
Construction.....	223,484	3.0%	232,736	2.9%	260,799	3.1%
Science, education, culture and sanitation.....	126,906	1.7%	170,315	2.1%	198,289	2.4%
Lodging and catering.....	111,047	1.5%	95,530	1.2%	94,265	1.1%
Others.....	191,651	2.5%	191,146	2.4%	184,540	2.2%
Total corporate loans	7,523,000	100.0%	7,973,527	100.0%	8,435,973	100.0%

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) leasing and commercial services which accounted for 23.8 per cent., 17.4 per cent. and 13.2 per cent., respectively, of our total corporate loans as at that date. As at 30 June 2019, a majority of our corporate loan customers operated in the (i) transportation, storage and postal services, (ii) manufacturing and (iii) leasing and commercial services which accounted for 23.7 per cent., 16.9 per cent. and 13.6 per cent., respectively, of our total corporate loans as at that date. As at 31 December 2017 and 2018 and 30 June 2019, the balance of our corporate loans in the top three industries in aggregate accounted for 53.5 per cent., 54.4 per cent. and 54.2 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 and 30 June 2019 accounted for 22.8 per cent., 23.8 per cent. and 23.7 per cent., respectively, of our total corporate loans.

Corporate loans to the manufacturing sector as at 31 December 2017 and 2018 and 30 June 2019, accounted for 18.6 per cent., 17.4 per cent. and 16.9 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 RMB19,284 million or 2.1 per cent., mainly meeting the loan demand of loan in urban infrastructure and public utilities development.

In the six months ended 30 June 2019, loans to the leasing and commercial services also showed an increase of RMB98,748 million or 9.4 per cent., fast growth in commercial services including investment and asset management and development zones. Loans to transportation, storage and postal services increased by RMB98,448 million or 5.2 per cent., mainly due to satisfaction of the financing demands from highway and urban rail transit construction. During the same period, loans for water, environment and public utility management increased by RMB105,835 million or 13.7 per cent., which was mainly used to support significant projects and projects for people's livelihood in the areas of urban infrastructure, environmental protection and public services.

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%
Total personal loans	4,945,458	100.0%	5,636,574	100.0%

As at 30 June 2019, our personal loans amounted to RMB6,038,357 million, representing an increase of RMB401,783 million or 7.1 per cent. as compared to 31 December 2018.

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 increase was primarily because we actively supported the residents' financing need for owner-occupied houses. As at 30 June 2019, residential mortgages grew by RMB325,472 million or 7.1 per cent. as compared to such residential mortgages as at 31 December 2018, as we supported the residents' financing demands 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. As at 30 June 2019, personal business loans increased by RMB85,981 million or 39.8 per cent. as compared to such personal business loans as at 31 December 2018, primarily attributable to the rapid growth of e-Mortgage Quick Loan, Quick Lending for Operation and other online loan products in the inclusive finance business.

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 our 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				As at 30 June	
	2017		2018		2019	
	% of					
	Amount	total	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>						
Head Office.....	629,733	4.4%	723,302	4.7%	730,677	4.5%
Yangtze River Delta.....	2,599,171	18.2%	2,823,603	18.4%	3,012,354	18.5%
Pearl River Delta.....	1,896,063	13.3%	2,072,857	13.4%	2,221,818	13.7%
Bohai Rim.....	2,339,537	16.4%	2,524,307	16.4%	2,660,231	16.3%
Central China.....	2,003,202	14.1%	2,202,221	14.3%	2,357,272	14.5%
Western China	2,512,303	17.7%	2,735,901	17.7%	2,893,074	17.8%
Northeastern China	734,343	5.2%	759,140	4.9%	786,077	4.8%
Overseas and others	1,519,096	10.7%	1,578,574	10.2%	1,609,721	9.9%
Gross loans and advances to customers	14,233,448	100.0%	15,419,905	100.0%	16,271,224	100.0%

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., 18.4 per cent., and 18.5 per cent., respectively, of our gross loans and advances to customers as at 31 December 2017 and 2018 and 30 June 2019. 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. As of 30 June 2019, loans in the Yangtze River Delta region further increased by 6.7 per cent. to RMB3,012,354 million. 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., 16.4 per cent. and 16.3 per cent., respectively, of our gross loans and advances to customers as at 31 December 2017 and 2018 and 30 June 2019. 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. As of 30 June 2019, loans in the Bohai Rim region further increased by 5.4 per cent. to RMB2,660,231 million.

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 30 June 2019, loans to the Pearl River Delta, the Bohai Rim and Central China increased collectively by RMB439,936 million since 31 December 2018, accounting for 51.7 per cent. of total loan increment during this period. As at 31 December 2017 and 2018 and 30 June 2019, the Yangtze River Delta, Western China and Bohai Rim regions collectively represented 52.3 per cent., 52.5 per cent. and 52.6 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. From 31 December 2018 to 30 June 2019, our overseas and other loans further increased by RMB31,147.0 million, up 2.0 per cent., and accounting for 3.7 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. As at 30 June 2019, the total amount of loans granted by us to the single largest customer and top ten single customers accounted for 3.5 per cent. and 12.9 per cent. of our net capital, respectively. As at 31 December 2018 and 30 June 2019, the total amount of loans granted to the top ten single customers was RMB340,765 million, accounting for 2.2 per cent. of the total loans, and RMB367,756 million, accounting for 2.3 per cent. of the total loans, respectively. The table below shows the details of the loans granted to our top ten single borrowers as at 31 December 2018.

Industry	As at 31 December 2018	
	Amount	% of total loans ⁽¹⁾
<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%
Total		340,765 2.2%

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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>						
Pass	13,450,486	94.50%	14,733,891	95.56%	15,590,159	95.81%
Special mention.....	561,974	3.95%	450,930	2.92%	440,979	2.71%
Subtotal	14,012,460	98.45%	15,184,821	98.48%	16,031,138	98.52%
Substandard.....	81,209	0.57%	108,821	0.70%	115,436	0.71%
Doubtful.....	108,854	0.76%	90,383	0.59%	93,688	0.58%
Loss.....	30,925	0.22%	35,880	0.23%	30,962	0.19%
Subtotal.....	220,988	1.55%	235,084	1.52%	240,086	1.48%
Gross loans and advances to customers	<u>14,233,448</u>	<u>100.00%</u>	<u>15,419,905</u>	<u>100.00%</u>	<u>16,271,224</u>	<u>100.00%</u>
NPL ratio ⁽¹⁾		1.55%		1.52%		1.48%

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 and 30 June 2019, the NPL ratios of our total loan portfolio were 1.55 per cent., 1.52 per cent. and 1.48 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						As at 30 June		
	2017			2018			2019		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
<i>(in RMB millions, except percentages)</i>									
Corporate loans	175,903	79.60%	1.97%	194,696	82.82%	2.07%	198,381	82.63%	2.00%
Discounted bills.....	525	0.24%	0.15%	268	0.11%	0.07%	0	0.00%	0.00%
Personal loans	44,560	20.16%	0.90%	40,120	17.07%	0.71%	41,705	17.37%	0.69%
Total NPLs	220,988	100.00%	1.55%	235,084	100.00%	1.52%	240,086	100.00%	1.48%

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.

As at 30 June 2019, the balance of non-performing corporate loans stood at RMB198,381 million, representing an NPL ratio of 2.00 per cent., an increase of RMB3,685 million or 1.89 per cent. from RMB194,696 million as at 31 December 2018.

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 30 June 2019, the balance of non-performing personal loans stood at RMB41,705 million, representing an NPL ratio of 0.69 per cent. and an increase of RMB 1,585 million, or 3.95 per cent., from RMB40,120 million as at 31 December 2018.

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., and further decreased to RMB0 million, representing an NPL ratio of 0.00 per cent. as at 30 June 2019.

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						As at 30 June		
	2017			2018			2019		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
<i>(in RMB millions, except percentages)</i>									
Head Office.....	14,702	6.65%	2.33%	20,036	8.52%	2.77%	20,256	8.44%	2.77%
Yangtze River Delta.....	27,955	12.65%	1.08%	24,195	10.29%	0.86%	23,999	10.00%	0.80%
Pearl River Delta.....	32,878	14.88%	1.73%	30,480	12.97%	1.47%	26,546	11.06%	1.19%
Bohai Rim.....	46,903	21.22%	2.00%	54,489	23.18%	2.16%	59,236	24.67%	2.23%
Central China.....	32,911	14.89%	1.64%	36,401	15.48%	1.65%	35,150	14.64%	1.49%
Western China.....	38,628	17.48%	1.54%	35,572	15.13%	1.30%	37,167	15.48%	1.28%
Northeastern China.....	19,596	8.87%	2.67%	25,186	10.72%	3.32%	27,120	11.29%	3.45%
Overseas and others.....	7,415	3.36%	0.49%	8,725	3.71%	0.55%	10,612	4.42%	0.66%
Total NPLs.....	220,988	100.0%	1.55%	235,084	100.0%	1.52%	240,086	100.0%	1.48%

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						As at 30 June		
	2017			2018			2019		
	Amount	% of total	NPL Ratio ⁽¹⁾	Amount	% of total	NPL Ratio ⁽¹⁾	Amount	% of total	NPL Ratio ⁽¹⁾
<i>(in RMB millions, except percentages)</i>									
Transportation, storage and postal services.....	9,568	5.7%	0.56%	15,016	8.0%	0.79%	14,006	7.44%	0.70%
Manufacturing.....	67,604	40.0%	4.80%	79,790	42.8%	5.76%	83,160	44.16%	5.82%
Production and supply of electricity, heat, gas and water	1,407	0.8%	0.16%	2,113	1.1%	0.23%	2,059	1.09%	0.22%
Leasing and commercial services	6,250	3.7%	0.69%	6,279	3.4%	0.60%	7,239	3.85%	0.63%
Water, environment and public utility management	975	0.6%	0.15%	1,718	0.9%	0.22%	1,304	0.69%	0.15%
Wholesale and retail.....	55,366	32.8%	9.75%	52,588	28.2%	10.78%	44,336	23.55%	9.31%
Real estate	13,631	8.1%	2.72%	9,823	5.3%	1.66%	11,959	6.35%	1.84%
Mining	2,998	1.8%	1.44%	3,966	2.1%	2.14%	5,820	3.09%	3.13%
Construction.....	2,856	1.7%	1.28%	3,749	2.0%	1.61%	3,842	2.04%	1.47%
Science, education, culture and sanitation	850	0.5%	0.67%	1,461	0.8%	0.86%	1,942	1.03%	0.98%
Lodging and catering.....	3,256	1.8%	2.93%	4,951	2.7%	5.18%	6,039	3.21%	6.41%
Others.....	4,142	2.5%	2.16%	4,962	2.7%	2.60%	6,597	3.50%	3.57%
Total non-performing corporate loans.....	168,903	100.0%	2.25%	186,416	100.0%	2.34%	188,303	100.0%	2.23%

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, increased to 5.76 per cent. as at 31 December 2018 and further increased to 5.82 per cent. as at 30 June 2019. 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 encountering difficulties as a result of not meeting the high-quality development standards, as well as enterprises with overcapacity.

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 and decreased slightly to 9.31 per cent. as at 30 June 2019.

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 and decreased to 0.70 per cent. as at 30 June 2019.

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. As at 30 June 2019, the NPL ratio of our loans in the real estate sector increased to 1.84 per cent.

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
	<i>(in RMB millions, except percentages)</i>			
Current loans.....	13,947,373	97.99%	15,149,973	98.25%
Loans past due ⁽¹⁾ for:				
Less than 3 months.....	107,218	0.75%	91,153	0.59%
3 months 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	100.0%

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 and 30 June 2019, the proportion of our loans and advances to customers that were deemed overdue decreased to 1.75 per cent. and 1.68 per cent. respectively.

Allowance for Impairment Losses on Loans and Advances to Customers

For the years ended 31 December 2016 and 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>		
As at 1 January 2018	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)
As at 31 December 2018	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 ended 31 December 2017.

	<u>Individually</u> <u>Assessed</u>	<u>Collectively</u> <u>Assessed</u>	<u>Total</u>
	<i>(in RMB millions)</i>		
As at 1 January 2017	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 ⁽¹⁾	(3,189)	—	(3,189)

	<u>Individually</u> <u>Assessed</u>	<u>Collectively</u> <u>Assessed</u>	<u>Total</u>
	<i>(in RMB millions)</i>		
Recoveries of loans and advances previously written off.....	1,426	838	2,264
Write-offs and other movements	(57,031)	(15,170)	(72,201)
As at 31 December 2017	115,746	224,736	340,482

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.

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., 24.4 per cent. and 24.1 per cent., respectively, of our total assets as at 31 December 2017 and 2018 and 30 June 2019. 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. Our investment portfolio increased by 6.9 per cent. from RMB6,754,692 million as at 31 December 2018 to RMB7,219,097 million as at 30 June 2019.

Distribution of Our Investment by Investment Category

The following tables set forth, as at the dates indicated, the distribution of our investments by category.

	As at 31 December				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>					
Bonds	5,373,733	93.4%	6,049,076	89.6%	6,508,353	90.2%
Equity instruments	19,073	0.3%	57,909	0.9%	71,748	1.0%

	As at 31 December				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>					
Funds and others ⁽¹⁾	363,898	6.3%	563,346	8.3%	546,117	7.6%
Accrued interest	—	—	84,361	1.2%	92,879	1.2%
Total investment	5,756,704	100.0%	6,754,692	100.0%	7,219,097	100.0%

Note:

(1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

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.

	As at 31 December		As at 30 June	
	2018		2019	
	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>			
Government bonds	4,040,956	66.9%	4,429,153	68.1%
Central bank bills	32,746	0.5%	38,540	0.6%
Policy bank bonds	774,732	12.8%	689,528	10.6%
Other bonds ⁽¹⁾	1,200,642	19.8%	1,351,132	20.7%
Total investment in bonds	6,049,076	100.0%	6,508,353	100.0%

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. Our investment in bonds increased by 7.6 per cent. from RMB6,049,076 million as at 31 December 2018 to RMB6,508,353 million as at 30 June 2019. In the first half of 2019, in order to support the development of the real economy, the Bank increased the investment in government bonds, financial bonds and quality corporate bonds taking into consideration the bond market supply and the value of bond investment.

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.

	<u>As at 31 December</u>		<u>As at 31 December</u>	
	<u>2017</u>		<u>2018</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
<i>(in RMB millions, except percentages)</i>				
Undated ⁽¹⁾	—	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%
Total investment in bonds	<u>5,373,733</u>	<u>100.0%</u>	<u>6,049,076</u>	<u>100.0%</u>

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.

	<u>As at 31 December</u>		<u>As at 30 June</u>	
	<u>2018</u>		<u>2019</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
<i>(in RMB millions, except percentages)</i>				
RMB-denominated bonds.....	5,547,079	91.7%	5,894,666	90.6%
U.S. dollar-denominated bonds	356,034	5.9%	418,461	6.4%
Other foreign currency bonds.....	145,963	2.4%	195,226	3.0%
Total investment in bonds	<u>6,049,076</u>	<u>100.0%</u>	<u>6,508,353</u>	<u>100.0%</u>

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.

As at 30 June 2019, RMB-denominated bonds increased by RMB347,587 million, or 6.3 per cent., U.S. dollar-denominated bonds and other foreign currency bonds increased by an equivalent of RMB62,427 million or 17.5 per cent. and RMB49,263 million or 33.8 per cent., as compared to 31 December 2018.

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, 2018 and 30 June 2019, equity instruments amounted to RMB19,073 million, RMB57,909 million and RMB71,748 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. As at 30 June 2019, our cash and balances with central banks further increased to RMB3,993,112 million. These increases were primarily due to increases in our customer deposits, which resulted in corresponding rises in our statutory deposit reserves.

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. As of 30 June 2019, due from banks and other financial institutions further increased to RMB955,009 million.

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. As of 30 June 2019, our amounts due under reverse repurchase agreements increased by 30.1 per cent. to RMB954,807 million, mainly because we appropriately adjusted the size of funds lent to the market based on its internal and external liquidity status.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities as at 31 December 2017 and 2018 and 30 June 2019 amounted to RMB23,945,987 million, RMB25,354,657 million and RMB27,561,581 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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	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%	23,125,437	83.9%
Due to banks and other financial institutions	1,706,549	7.1%	1,814,495	7.2%	2,184,550	7.9%
Repurchase agreements	1,046,338	4.4%	514,801	2.0%	281,796	1.0%
Debt securities issued	526,940	2.2%	617,842	2.4%	775,410	2.8%
Others ⁽¹⁾	1,103,224	4.6%	998,585	4.0%	1,194,388	4.4%
Total liabilities	23,945,987	100.0%	25,354,657	100.0%	27,561,581	100.0%

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.

Our total liabilities increased by 8.7 per cent. from RMB25,354,657 million as at 31 December 2018 to RMB27,561,581 million as at 30 June 2019.

Due to customers is our primary source of funding and represented 81.7 per cent., 84.4 per cent. and 83.9 per cent. of our total liabilities as at 31 December 2017 and 2018 and 30 June 2019, 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				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in RMB millions, except percentages)</i>					
Demand deposits						
Corporate customers	6,069,804	31.0%	6,405,136	29.9%	7,057,901	30.5%
Personal customers	3,820,392	19.5%	3,931,182	18.4%	4,016,237	17.4%
Subtotal	9,890,196	50.5%	10,336,318	48.3%	11,074,138	47.9%
Time deposits						
Corporate customers	4,635,661	23.7%	5,076,005	23.7%	5,347,694	23.1%
Personal customers	4,748,525	24.3%	5,505,236	25.7%	6,256,590	27.1%
Subtotal	9,384,186	48.0%	10,581,241	49.4%	11,604,284	50.2%
Other deposits ⁽¹⁾	288,554	1.5%	268,914	1.3%	216,917	0.9%
Accrued interest	—	—	222,461	1.0%	230,098	1.0%

	As at 31 December				As at 30 June	
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
Total due to customers	19,562,936	100.0%	21,408,934	100.0%	23,125,437	100.0%

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 RMB1,845,998 million, or 9.4 per cent., from the end of the previous year. As of 30 June 2019, the balance due to customers further increased by 8.0 per cent. to RMB23,125,437 million.

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, and further increased by RMB924,454 million, or 8.1 per cent., as of 30 June 2019. 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, and further increased by RMB836,409 million, or 8.9 per cent., as of 30 June 2019.

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, and further increased by RMB1,023,043 million, or 9.7 per cent., as of 30 June 2019. 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, and further increased by RMB737,820 million, or 7.1 per cent., as of 30 June 2019.

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, and remained stable as at 30 June 2019.

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, and slightly decreased to 47.9 per cent. as at 30 June 2019.

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%

As at 31 December

	2017		2018	
	Amount	% of total	Amount	% of total
<i>(in RMB millions, except percentages)</i>				
Northeastern China.....	1,033,381	5.3%	1,105,344	5.2%
Overseas and others.....	788,744	4.0%	908,346	4.2%
Total due to customers.....	19,562,936	100.0%	21,408,934	100.0%

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 ⁽¹⁾	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%
Total due to customers.....	19,562,936	100.0%	21,408,934	100.0%

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. As at 30 June 2019, our amounts due to banks and other financial institutions increased by 20.4 per cent. to RMB2,184,550 million.

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. As at 30 June 2019, amounts due on repurchase agreements stood at RMB281,796 million.

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. As at 30 June 2019, debt securities issued stood at RMB775,410 million.

DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth the particulars of our directors, supervisors and senior management:

Name	Position	Gender	Age⁽¹⁾
Chen Siqing	Executive Director, Chairman	Male	58
Gu Shu	Executive Director, Vice Chairman, President	Male	51
Hu Hao	Executive Director, Senior Executive Vice President	Male	56
Tan Jiong	Executive Director, Senior Executive Vice President	Male	52
Ye Donghai	Non-executive Director	Male	55
Zheng Fuqing	Non-executive Director	Male	55
Mei Yingchun	Non-executive Director	Female	47
Dong Shi	Non-executive Director	Male	53
Anthony Francis Neoh	Independent Non-executive Director	Male	72
Yang Siu Shun	Independent Non-executive Director	Male	63
Sheila Colleen Bair	Independent Non-executive Director	Female	64
Shen Si	Independent Non-executive Director	Male	65
Nout Wellink	Independent Non-executive Director	Male	75
Fred Zulu Hu	Independent Non-executive Director	Male	57
Zhang Wei	Shareholder Supervisor	Male	56
Hui Ping	Employee Supervisor	Male	58
Huang Li	Employee Supervisor	Male	54
Qu Qiang	External Supervisor	Male	52
Shen Bingxi	External Supervisor	Male	66
Wang Lin	Secretary of Party Discipline Committee	Male	54
Wang Bairong	Chief Risk Officer	Male	57
Guan Xueqing	Board Secretary	Male	56

Note:

(1) As at 31 December 2018

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

Chen Siqing, Chairman, Executive Director

Mr. Chen has served as Chairman of the Board of Directors and Executive Director of the Bank since May 2019. Mr. Chen Siqing joined Bank of China in 1990 where he previously worked in the Hunan Branch of Bank of China before he was dispatched to the Hong Kong Branch of Bank of China and South Sea Bank Ltd. as Assistant General Manager. He held various positions in Bank of China from June 2000 to February 2014, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office, General Manager of the Guangdong Branch and Executive Vice President of Bank of China. Mr. Chen served as President of Bank of China from February 2014 to August 2017. He served as Vice Chairman of

Bank of China from April 2014 to August 2017, and as Chairman of the Board of Directors of Bank of China from August 2017 to April 2019. Mr. Chen served as Chairman of the Board of Directors of BOC Aviation Limited from December 2011 to March 2018. From December 2011 to April 2019, Mr. Chen successively served as Non-executive Director, Vice Chairman and Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited.

Mr. Chen graduated from Hubei Institute of Finance and Economics in 1982. He obtained a Master's degree in Business Administration (MBA) from Murdoch University, Australia in 1999. He is a Certified Public Accountant and holds the title of Senior Economist.

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.

Hu Hao, Executive Director, Senior Executive Vice President

Mr. Hu has served as Executive Director of the Bank since July 2019 and as Senior Executive Vice President of the Bank since November 2015. Mr. Hu joined ICBC 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. He also 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, Executive Director, Senior Executive Vice President

Mr. Tan has served as Executive Director of the Bank since July 2019 and as Senior Executive Vice President of the Bank since January 2017. He joined Bank of China in June 1988. He previously served as Deputy Head (person in charge) and Head of Tibet Branch, and Head of Yunnan Branch of Bank of China, Chairman of Bank of China Investment Management Co., Ltd. and Head of Guangdong Branch of Bank of China. Mr. Tan Jiong graduated from Wuhan University and obtained a Doctorate degree in Economics. He is a senior economist.

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 Mainland China 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.

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 as 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.

Fred Zuli 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.

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.

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 10 directors, including Executive Directors Mr. Chen Siqing and Mr. Gu Shu; Independent Non-executive Directors Mr. Anthony Francis Neoh, Ms. Sheila Colleen Bair, Mr. Fred Zulu Hu and Mr. Nout Wellink; Non-executive Directors Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai. Chairman of the Board Mr. Chen Siqing is the 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, Mr. Fred Zulu Hu and Mr. Nout Wellink; Non-executive Director 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 eight directors, including Executive Directors Mr. Hu Hao and Mr. Tan Jiong; Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si and Ms. Sheila Colleen Bair; Non-executive Directors 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 Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Blair and Mr. Fred Zulu Hu; 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 five directors, including Executive Directors Mr. Hu Hao and Mr. Tan Jiong; Independent Non-executive Directors Mr. Yang Siu Shun, Mr. Hong Yongmiao 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 30 June 2019, the total number of our Shareholders (number of holders of A Shares and H Shares on the register of shareholders as at 30 June 2019) was 569,107, of which there were 121,583 H Shareholders and 447,254 A Shareholders.

The table below sets out the particulars of our top 10 Shareholders as at 30 June 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 ⁽³⁾	Foreign legal person	H share A share	24.17 0.29	86,150,196,660 1,024,403,066	Unknown None	—1,467,674 151,252,828
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	—
Wutongshu Investment Co., Ltd	State-owned legal person	A share	0.40	1,420,781,042	None	—
Central Huijin Asset Management Co., Ltd. ⁽⁴⁾	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	0.10	342,104,327	None	—403,610,830
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu	Other entities	A share	0.08	272,392,994	None	—728,452,258
SSE 50 Exchange Traded Open-End Index Securities Investment Fund of ICBC Credit Suisse Asset Management Co., Ltd	Other entities	A share	0.05	188,294,255	None	—177,920,445

Notes:

- (1) The above data are based on the Bank's register of shareholders as at 30 June 2018.
- (2) The Bank had no shares subject to restrictions on sales.
- (3) HKSCC Nominees Limited held 86,150,196,660 H shares and Hong Kong Securities Clearing Company Limited held 1,024,403,066 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 30 June 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 30 June 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 information provided below does not purport to be a complete summary of PRC, United Arab Emirates (UAE) or DIFC laws and practice currently applicable. It does not purport to be comprehensive and does not constitute legal or tax advice. It does not consider any investor's particular circumstances.

Prospective purchasers should consult their own professional advisors concerning the application of PRC, UAE and DIFC tax laws to their particular situations as well as any tax consequences arising under the laws of any other jurisdiction.

PRC Taxation

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

According to the PRC Enterprise Income Tax Law and the relevant implementation rules, non-PRC resident enterprises will not be subject to the PRC income tax in respect of the interest income borne and paid by an enterprise, organisation or establishment located outside the PRC. However, pursuant to the PRC Individual Income Tax Law and the relevant implementation rules, it remains uncertain as to whether non-PRC resident individuals shall be subject to the PRC income tax in respect of the interest income from the Notes. Should the PRC tax authority deem the interest income from the Notes of the non-PRC resident individuals as income sourced within the PRC referred to in Regulations on the Implementation of the PRC Individual Income Tax Law, the non-PRC resident individual Noteholders may be subject to the individual income tax at 20%, unless otherwise provided in preferential taxation policies under special taxation arrangements.

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 Noteholders 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% for non-PRC resident enterprises, or individual income tax at 20% for non-PRC resident individuals, respectively, unless otherwise provided in other preferential taxation policies under special taxation arrangements.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform (Caishui [2016] No. 36)(the **Circular 36**) (关于全面推开营业税改征增值税试点的通知) which confirms that business tax was replaced by value-added tax (the **VAT**) from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC, but where the services are provided by offshore entities or individuals to onshore entities or individuals and such services purely take place outside the PRC, they should not be deemed as services provided within the territory of the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for

another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of the Notes is likely to be treated as the holders of the Notes providing loans to the Issuer.

In the case of issuance of the Notes by the Dubai (DIFC) Branch or other offshore branch of the Bank, Circular 36 does not apply if the provision of loans by individuals or entities located outside the PRC takes place outside the PRC. Neither the Dubai (DIFC) Branch or other offshore branch of the Bank nor the Noteholders are located in the PRC and if the provision of loans takes place outside the PRC, then no VAT is payable on interest payments under the Notes. This is, however, subject to the interpretation of Circular 36 by the relevant authority.

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.

United Arab Emirates (excluding the Dubai International Financial Centre)

Under current legislation, there is no requirement for withholding or deduction for or on account of United Arab Emirates or Dubai taxation in respect of payments made by the Issuer under the Notes.

The Constitution of the United Arab Emirates specifically reserves to the Federal Government of the United Arab Emirates the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

Dubai International Financial Centre

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the Dubai International Financial Centre (the **DIFC Law**), entities licensed, registered or otherwise authorised to carry on financial services in the DIFC and their employees shall be subject to a zero rate of tax for a period of 50 years from September 13, 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the DIFC. Article 14 of the DIFC Law also provides that it is possible to renew the 50-year period to a similar period upon issuance of a resolution by the Ruler of the Emirate of Dubai. As a result no payments by the Issuer under the Notes are subject to any DIFC tax, whether by withholding or otherwise.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, 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 UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as 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 the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes,

including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

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 a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 9 October 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 “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. The Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by such Dealer. The Issuer may also from time to time agree with the relevant Dealer(s) that the Issuer may pay certain third parties commissions (including, without limitation, rebates to private banks). In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

European Economic Area

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution 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 Regulation (EU) 2017/1129; and
- (b) the expression **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) 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.

Japan

Each Dealer has acknowledged that 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 **FIEA**). 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 Notes, 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 resale, 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 FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

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 in 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.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any 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 any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, the **SFA**)) 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 to 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 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; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37(A) of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification – 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 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).

Thailand

Each Dealer has acknowledged that this Offering Circular has not been approved by or filed with the Securities and Exchange Commission or any other regulatory authority of the Kingdom of Thailand. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold, and the Offering Circular may not be distributed, directly or indirectly, to any person in Thailand, and any advertisement, invitation or documents relating to the Notes may not be made in Thailand, except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time.

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 the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) or to residents of the PRC unless such offer or sale is made in compliance with all applicable laws and regulations of the PRC.

United Arab Emirates (excluding the DIFC)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

DIFC

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 and will not offer the Notes to be issued under the Programme to any person in the DIFC unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 as amended by the Board of the Capital Market Authority resolution number 3-45-2018 dated 23 April 2018 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “Sophisticated Investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes made by it to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Kingdom of Bahrain

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 or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar

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 delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre, and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended, governing the issue, offering and sale of securities.

No private or public offering of Notes is being made in the State of Kuwait, and no agreement relating to the sale of Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market Notes in the State of Kuwait.

Republic of South Africa

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 and will not offer for sale or subscription or sell any Notes, directly or indirectly, within the Republic of South Africa or to any person or corporate or other entity resident in the Republic of South Africa except (a) in accordance with the exchange control regulations of the Republic of South Africa and (b) to any entity resident or within the Republic of South Africa in accordance with the Commercial Paper Regulations issued under Government Notice 2172 published in Government Gazette No. 16167 of 14 December 1994 pursuant to the Banks Act, 1990 and the Companies Act, 2008 the Financial Advisory and Intermediary Services Act, 2002 and/or any other applicable laws or regulation of the Republic of South Africa in force from time to time.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of the Notes thereunder were authorised by Authorisation (2015) No.6 of Industrial and Commercial Bank of China Limited passed on 5 January 2015. 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.

Listing of Notes

Application has been made to the London Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the ISM. The ISM is not a regulated market for the purposes of MiFID II. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Application has also been made to the DFSA for Notes issued under the Programme to be admitted to the DFSA Official List. The Programme is expected to be admitted to the DFSA Official List on or about 9 October 2019. An application may be made for any Tranche of Notes to be admitted to trading on Nasdaq Dubai.

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.

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**) (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知), 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, 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 Reporting**). The Post-Issuance Reporting is a procedural matter which involves the reporting of certain post-issuance information by the enterprise to the NDRC rather than a substantive approval process. Any failure to complete the Post-Issuance Reporting will not adversely affect the validity of the relevant bonds or any other bonds issued by the enterprise from time to time.

On 12 January 2017, the PBOC promulgated the Circular on Relevant Matters about the Macro-prudential Management of Cross-border Financing in Full Aperture 《中国人民银行关于全口径跨境融资宏观审慎管理有关事宜的通知》, which came into effect on the same date (the **PBOC Circular**) 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 Circular, the Bank has confirmed to the Issuer that its offshore branches should not be deemed as an "onshore entity (境内机构)" under the PBOC Circular and therefore the relevant filing and reporting requirements under the PBOC Circular should not be applicable to an issuance of the 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 Circular remains relatively new and the implementation rules have not yet been published and, if following the date of this Offering Circular, the Issuer or the Bank is required to make any reporting or take other steps to comply with the PBOC Circular, the nature and extent of which are not currently foreseeable by the Issuer or the Bank and the Issuer will take the necessary steps to comply with such requirements.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection at the Issuer's registered office and at the specified offices of the Fiscal Agent in physical form for the time being in the Dubai International Financial Centre and London, respectively:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the audited consolidated financial statements of the Group as at and for the financial years ended 31 December 2017 and 31 December 2018, respectively, and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2019;
- (c) copies of the latest annual report and audited annual consolidated financial statements, and any interim consolidated financial statements (whether audited or unaudited) published subsequent to such audited annual financial statements, of the Group;
- (d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Offering Circular together with any supplement to this Offering Circular; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements, to this Offering Circular and any other documents incorporated herein or therein by reference.

This Offering Circular will be available for viewing on the website of Nasdaq Dubai (<http://www.nasdaqdubai.com>).

The Group currently prepares audited consolidated and non-consolidated accounts on an annual basis, unaudited reviewed condensed consolidated interim accounts on a semi-annual basis and unaudited un-reviewed consolidated interim accounts on a quarterly basis.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the ISIN for each series of Bearer Notes or Registered Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2019 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2018.

Litigation and Arbitration Proceedings

There are no, and have not been 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.

Auditor

The current auditor of the Group is KPMG and its business address is 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong. KPMG is registered as a firm of certified public accountants (practising) by The Hong Kong Institute of Certified Public Accountants.

The Group's financial statements for the years ended 31 December 2017 and 31 December 2018, which are incorporated by reference in this Offering Circular, have been audited in accordance with International Standards on Auditing by KPMG as stated in their unmodified report appearing therein.

Dealers Transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

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