

IMPORTANT NOTICE

<p>THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES</p>
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IMPORTANT: You must read the following before continuing. The following applies to the offering document following this page (the “Offering Document”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Document. In accessing the Offering Document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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

THIS OFFERING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Document or make an investment decision with respect to the securities, investors must be non-U.S. persons (within the meaning of Regulation S) outside the United States. The Offering Document is being sent at your request and by accepting the e-mail and accessing the Offering Document, you will be deemed to have represented to us that (1) you and any customers you represent are non-U.S. persons and that the electronic mail address that you gave us and to which the Offering Document has been delivered is not located in the United States and (2) you consent to delivery of the Offering Document by electronic transmission.

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

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

The Offering Document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Bank, the Arrangers, the Dealers, any person who controls any of the Arrangers or any of the Dealers, any director, officer, employee nor agent of the Issuer or the Bank or any Arranger or Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Document distributed to you in electronic format and the hard copy version available to you on request from any of the Arrangers or any of the Dealers.

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



中國銀行

阿布扎比分行

BANK OF CHINA ABU DHABI BRANCH

BANK OF CHINA LIMITED

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

U.S.\$20,000,000,000

Medium Term Note Programme

On 17 June 2015, Bank of China Limited (the “**Bank**”) published the offering circular attached hereto as Annex A (the “**Offering Circular**”) in connection with the Medium Term Note Programme (the “**Programme**”) established by the Bank for the issuance by any branch of the Bank of up to U.S.\$20,000,000,000 (or equivalent in other currencies) in aggregate nominal amount of notes (the “**Notes**”).

On 15 June 2015, The Stock Exchange of Hong Kong Limited (the “**HKSE**”) approved (conditional upon the delivery of certain documents) the listing on the HKSE of the Programme (effective on 18 June 2015) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the 12-month period from the date of the Offering Circular.

Application has been made: (i) to the Dubai Financial Services Authority (the “**DFSA**”) for Notes issued under the Programme by Bank of China Limited, Abu Dhabi Branch (the “**Issuer**”) to be admitted to the official list of securities maintained by the DFSA; and (ii) to NASDAQ Dubai for Notes issued under the Programme by the Issuer to be admitted to trading on NASDAQ Dubai. The Offering Circular has been approved by the DFSA under Rule 2.6 of the Markets Rules (MKT) module (version 6/01-13) of the DFSA (the “**Markets Rules**”) and constitutes an “Approved Prospectus” for the purposes of Article 14 of the Markets Law (DIFC Law No.1 of 2012) (the “**Markets Law**”). Information required to be contained in such Approved Prospectuses pursuant to the DFSA’s Markets Rule 2.5 but not included in the Offering Circular is set out in Annex B.

On 29 April 2015, the Bank published its interim unaudited unreviewed consolidated financial statements for the three months ended 31 March 2015, which are incorporated by reference into the Offering Circular.

The Offering Circular, as supplemented by Annex B (together, the “**Offering Document**”), complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules.

The Offering Document relates to an Exempt Offer in accordance with the Markets Rules. The Offering Document is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in the Offering Document, including the accuracy or completeness of such information. The liability for the content of the Offering Document lies with the Issuer and the Bank. The DFSA has also not assessed the suitability of the Notes to which the Offering Document relates to any particular investor or type of investor. If you do not understand the contents of the Offering Document or are unsure whether the Notes to which the Offering Document relate are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Bank and the Issuer accept responsibility for the information contained in the Offering Circular. To the best of the knowledge of the Bank and the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in the Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, none of the Arrangers, Dealers, Trustee or Agents (each as defined in the Offering Circular) accept any responsibility for the contents of this Offering Document or for any other statement, made or purported to be made by the Arrangers, Dealers, Trustee or any Agent or on its behalf in connection with the Bank, the Issuer, the Programme or the issue and offering of the Notes. Each Arranger, Dealer, Trustee and Agent accordingly

disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Document or any such statement. Neither this Offering Document nor any financial statements of the Bank or the Group (as defined in the Offering Circular) are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, Dealers, Trustee or the Agents that any recipient of this Offering Document or any financial statements of the Bank or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Document and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, Dealers, Trustee or the Agents undertakes to review the financial condition or affairs of the Bank or the Group during the life of the arrangements contemplated by this Offering Document nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, Dealers, Trustee or the Agents.

The date of this document is 28 June 2015.

ANNEX A
OFFERING CIRCULAR

IMPORTANT NOTICE

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

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

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Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers (“**QIBs**”) (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S) purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you will be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic mail address that you gave us and to which the Offering Circular has been delivered is not located in the United States and (2) you consent to delivery of the Offering Circular by electronic transmission.

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

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, Bank of China Limited nor Bank of China (Hong Kong) Limited (together, the “**Arrangers**”), any person who controls any Arranger or Dealer (as defined in the Offering Circular), any director, officer, employee nor agent of the Issuer or any Arranger or Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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

BANK OF CHINA LIMITED

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



中國銀行

BANK OF CHINA

U.S.\$20,000,000,000

Medium Term Note Programme

Under the U.S.\$20,000,000,000 Medium Term Note Programme described in this Offering Circular (the “**Programme**”), Bank of China Limited or such branch of Bank of China Limited (including Bank of China Limited, Hong Kong Branch) as specified in the applicable Pricing Supplement (each an “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”).

Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$20,000,000,000 (or its equivalent in other currencies, subject to any duly authorised increase). The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” or any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of the Programme, under which Notes may be issued by way of debt issues to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”)) only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined under “*Terms and Conditions of the Notes*” and each term therein, a “**Condition**”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Series. This Offering Circular may not be used to consummate sales of Notes, unless accompanied by a Pricing Supplement.

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

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

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

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, the Notes may be offered and sold (i) in the United States only to QIBs in transactions exempt from registration under the Securities Act and/or (ii) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Any Series of Notes may be subject to additional selling restrictions. The applicable Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See “*Subscription and Sale*” and the applicable Pricing Supplement. Bearer Notes are subject to U.S. tax requirements.

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

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

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

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

Arranger and Dealer

Bank of China

The date of this Offering Circular is 17 June 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$20,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

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

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

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

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

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the consolidated financial statements of the Bank for the years ended 31 December 2013 and 2014 published on the Hong Kong Stock Exchange, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Bank from time to time on the Hong Kong Stock Exchange and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

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

PRESENTATION OF FINANCIAL INFORMATION

The financial information as at and for the years ended 31 December 2012, 2013 and 2014 in this Offering Circular has been derived from the Group's audited consolidated financial statements for the years ended 31 December 2013 and 2014 incorporated by reference (see "**Information incorporated by Reference**").

AVAILABLE INFORMATION

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

ENFORCEABILITY OF CIVIL LIABILITIES

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

TABLE OF CONTENTS

	<i>Page</i>
SUMMARY OF THE PROGRAMME	1
SUMMARY FINANCIAL INFORMATION OF THE BANK	7
RISK FACTORS	11
USE OF PROCEEDS	35
FORMS OF THE NOTES	36
TERMS AND CONDITIONS OF THE NOTES	40
FORM OF PRICING SUPPLEMENT	66
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM ...	77
CAPITALISATION AND INDEBTEDNESS	80
DESCRIPTION OF THE BANK	81
DESCRIPTION OF THE HONG KONG BRANCH	102
RISK MANAGEMENT	103
DESCRIPTION OF THE GROUP'S ASSETS AND LIABILITIES	117
DIRECTORS, MANAGEMENT AND SUPERVISORS	121
SUBSTANTIAL SHAREHOLDERS	128
CONNECTED TRANSACTIONS	130
TAXATION	131
CLEARANCE AND SETTLEMENT	135
TRANSFER RESTRICTIONS	139
REGULATION AND SUPERVISION IN THE PRC	142
PRC CURRENCY CONTROLS	145
SUBSCRIPTION AND SALE	148
GENERAL INFORMATION	154

SUMMARY OF THE PROGRAMME

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

Issuer	Bank of China Limited or such branch of Bank of China Limited (including Bank of China Limited, Hong Kong Branch) as specified in the applicable Pricing Supplement.
Programme Size	Up to U.S.\$20,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement (as defined in “ <i>Subscription and Sale</i> ”)) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Arrangers	Bank of China Limited and Bank of China (Hong Kong) Limited.
Dealers	Bank of China Limited, Bank of China (Hong Kong) Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Series of Notes.
Principal Paying Agent, Paying Agent	The Bank of New York Mellon, London Branch (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon (for Notes cleared through DTC).
Registrar	The Bank of New York Mellon (Luxembourg) S.A. (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon (for Notes cleared through DTC); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through CMU Service).
Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A. (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon (for Notes cleared through DTC); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through CMU Service).
CMU Lodging and Paying Agent . .	The Bank of New York Mellon Hong Kong Branch
Trustee	The Bank of New York Mellon, London Branch
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), and intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ Tranche ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

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

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

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

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

Each Tranche of Registered Notes will be represented by either:

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

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

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

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

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

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

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

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

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

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

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

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

Redemption Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.

No Subordinated Notes may be redeemed or purchased by the Issuer or its Subsidiaries prior to their respective stated maturity, for tax reasons, regulatory reasons or otherwise, without the prior written consent of the relevant Regulatory Authority as specified in the applicable Pricing Supplement at the relevant time.

Optional Redemption Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the Condition 11(c) (*Redemption at the option of the Issuer*) relevant Pricing Supplement.

Tax Redemption Except as described in “*Optional Redemption*” above, early redemption of Notes will only be permitted for tax reasons as described in Condition 11(b) (*Redemption for tax reasons*).

Interest Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.

Denominations Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Cross Default The Senior Notes will contain a cross default provision as further described in Condition 15 (*Events of Default*).

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

Listing and Trading Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which Notes may be issued by way of debt issues to professional investors (as defined in the SFO) only.

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

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

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

Rating Moody's has assigned a rating of "A1" to the Programme and Fitch has assigned a rating of "A" to the Programme. Moody's is expected to rate Senior Notes issued under the Programme "A1" and Fitch is expected to rate Senior Notes issued under the Programme "A". Any rating assigned to Subordinated Notes issued under the Programme by Moody's and/or Fitch would be issued on a case-by-case basis for each Tranche of Subordinated Notes at drawdown.

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

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

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

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

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

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

SUMMARY FINANCIAL INFORMATION OF THE BANK

The summary financial information set forth below has been extracted from the Group's audited consolidated financial statements as at and for the years ended 31 December 2013 and 2014, which have been incorporated by reference into this Offering Circular. It should also be read in conjunction with any other information incorporated into this Offering Circular (see "Information Incorporated by Reference").

The summary financial information presented below as at and for the year ended 31 December 2013 were extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2014. Certain comparative information for 2012 and 2013 has been reclassified to conform to the presentation for 2014. The reclassified figures for 2012 and 2013 have been adopted for the purpose of this summary. Please refer to Note II.23 to the Group's audited consolidated financial statements as at and for the year ended 31 December 2014 for more details.

The Group adopted the IAS 19 Amendments – Employee Benefits (the "IAS 19 Amendments") in 2013. Certain comparative information for 2012 has been restated in the Group's audited consolidated financial statements as at and for the year ended 31 December 2013 as a result of the adoption of the new accounting standard. The selected financial information as at and for the year ended 31 December 2012 included in this Offering Circular has been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2012, except for the amounts that have been restated as a result of the adoption of IAS 19 Amendments in the Group's audited consolidated financial statements as at and for the year ended 31 December 2013 and the amounts that have been reclassified to conform to the presentation for 2014 in the Group's audited consolidated financial statements as at and for the year ended 31 December 2014. Please refer to Note II.23 to the Group's audited consolidated financial statements as at and for the year ended 31 December 2013 and 2014 for more details.

Consolidated Income Statement*(Amount in millions of Renminbi, unless otherwise stated)*

	For the year ended 31 December		
	2014	2013	2012 (Restated)
Interest income	602,680	518,995	506,528
Interest expense	(281,578)	(235,410)	(249,564)
Net interest income	<u>321,102</u>	<u>283,585</u>	<u>256,964</u>
Fee and commission income	98,538	88,585	75,198
Fee and commission expense	(7,298)	(6,493)	(5,275)
Net fee and commission income	<u>91,240</u>	<u>82,092</u>	<u>69,923</u>
Net trading gains	11,099	7,183	8,451
Net gains on investment securities	1,795	594	2,288
Other operating income	31,092	34,055	28,550
Operating income	<u>456,328</u>	<u>407,509</u>	<u>366,176</u>
Operating expenses	(177,788)	(172,314)	(159,729)
Impairment losses on assets	(48,381)	(23,510)	(19,387)
Operating profit	<u>230,159</u>	<u>211,685</u>	<u>187,060</u>
Share of results of associates and joint ventures	1,319	1,092	613
Profit before income tax	<u>231,478</u>	<u>212,777</u>	<u>187,673</u>
Income tax expense	(54,280)	(49,036)	(41,927)
Profit for the year	<u>177,198</u>	<u>163,741</u>	<u>145,746</u>
Attributable to:			
Equity holders of the Bank	169,595	156,911	139,656
Non-controlling interests	7,603	6,830	6,090
	<u>177,198</u>	<u>163,741</u>	<u>145,746</u>
Earnings per share for profit attributable to equity holders of the Bank during the year (Expressed in RMB per ordinary share)			
– Basic	0.61	0.56	0.50
– Diluted	<u>0.58</u>	<u>0.54</u>	<u>0.48</u>

Consolidated Statement of Financial Position

(Amount in millions of Renminbi, unless otherwise stated)

	As at 31 December		
	2014	2013	2012 (Restated)
ASSETS			
Cash and due from banks and other financial institutions	813,054	702,584	775,574
Balances with central banks	2,306,088	2,132,001	1,934,297
Placements with and loans to banks and other financial institutions	402,280	512,888	385,099
Government certificates of indebtedness for bank notes issued	76,517	82,069	70,554
Precious metals	194,531	193,208	150,534
Financial assets at fair value through profit or loss . . .	104,528	75,200	71,590
Derivative financial assets	47,967	40,823	40,188
Loans and advances to customers, net	8,294,744	7,439,742	6,710,040
Financial investments	2,605,847	2,328,431	2,201,134
– available for sale	750,685	701,196	686,400
– held to maturity	1,424,463	1,210,531	1,183,080
– loans and receivables	430,699	416,704	331,654
Investment in associates and joint ventures	14,379	13,368	12,382
Property and equipment	172,197	158,968	150,324
Investment properties	18,653	20,271	17,142
Deferred income tax assets	25,043	22,928	21,292
Other assets	175,554	151,818	140,465
Total assets	15,251,382	13,874,299	12,680,615
LIABILITIES			
Due to banks and other financial institutions	1,780,247	1,551,624	1,553,192
Due to central banks	348,271	200,939	130,022
Bank notes in circulation	76,607	82,212	70,733
Placements from banks and other financial institutions	225,330	339,265	313,004
Derivative financial liabilities	40,734	36,212	32,457
Due to customers	10,885,223	10,097,786	9,173,995
– at amortised cost	10,567,736	9,941,288	9,009,978
– at fair value	317,487	156,498	164,017
Bonds issued	278,045	224,704	199,133
Other borrowings	30,447	29,570	34,045
Current tax liabilities	41,636	40,031	34,994
Retirement benefit obligations	4,566	4,815	5,642
Deferred income tax liabilities	4,287	3,385	3,838
Other liabilities	352,561	302,279	268,018
Total liabilities	14,067,954	12,912,822	11,819,073

EQUITY**As at 31 December**

	2014	2013	2012
		(Restated)	(Restated)
Capital and reserves attributable to equity holders of the Bank			
Share capital	288,731	279,365	279,147
Other equity instruments	71,745	–	–
Capital reserve	130,797	115,369	114,984
Treasury shares	(25)	(28)	(15)
Other comprehensive income	(13,671)	(19,241)	(9,833)
Statutory reserves	96,105	80,225	65,362
General and regulatory reserves	159,341	144,450	131,909
Undistributed profits	407,836	323,776	243,123
	1,140,859	923,916	824,677
Non-controlling interests	42,569	37,561	36,865
Total equity	1,183,428	961,477	861,542
Total equity and liabilities	15,251,382	13,874,299	12,680,615

RISK FACTORS

Risks relating to the PRC Banking Industry

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

The Group operates in a highly regulated industry and is subject to laws and regulations governing all aspects of its operations. The principal banking-related statutes and regulations are the Commercial Banking Law and the Law of PRC on Supervision and Administration of Banking Sector and the related implementation rules. The principal regulators of the PRC banking industry are CBRC, PBOC and SAFE.

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

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

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

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

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

- reduce the Group's market share in its principal products and services;
- reduce the growth of the Group's loan portfolio or deposit base and other products and services;
- reduce the Group's interest income, increase the interest expenses and decrease its net interest margin;
- reduce the Group's fees and commission income;
- increase the Group's outgoings and expenses, such as marketing and administrative expenses;

- lead to a deterioration of the Group’s asset quality; and
- increase the turnover of and competition for senior management and qualified professional personnel.

The Group may not always be able to maintain its competitive advantage in all the business areas in which it currently operates or will in the future operate. The Group may also face competition for funds from other forms of investment alternatives as the PRC capital market continues to develop. For example, the PRC capital market is becoming a more viable and attractive investment alternative and the Group’s deposit customers may elect to transfer their funds into bonds, equities, investment funds and other capital market instruments, which may reduce its deposit base and adversely affect its business, financial condition and results of operations.

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

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

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

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

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

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

PBOC has adopted reform measures to liberalise the PRC’s interest rate regime. For example, in October 2004, PBOC eliminated restrictions in respect of the maximum interest rate for Renminbi-denominated loans and the minimum interest rate for Renminbi-denominated deposits. Thereafter, PBOC continued to lower the minimum interest rate for loans on repeated occasions. In June 2012, PBOC adjusted the maximum interest rate for deposits to 110 per cent. of the relevant benchmark deposit rate and the minimum interest rate for loans to 80 per cent. of the relevant benchmark lending rate. In July of the same year, PBOC again adjusted the minimum interest rate for loans to 70 per cent. of the relevant benchmark lending rate. On 20 July 2013, PBOC entirely removed lending rate control by eliminating the minimum interest rate for loans (except for individual residential mortgage loans) and removing controls on bill discount rates. On 25 October 2013, PBOC introduced a new prime lending rate, officially known as the “loan prime rate”, which is based on a weighted average of lending rates from nine commercial banks. In recent years, the PBOC has adjusted the benchmark interest rates several times. On 22 November 2014, PBOC lowered the one-year Renminbi benchmark loan interest rate by 0.4 percentage point to 5.6% and raised the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.75%. On 1 March 2015, PBOC further lowered the one-year Renminbi benchmark loan interest rate by 0.25

percentage points to 5.35% and lowered the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.5%. On 11 May 2015, PBOC further lowered both the one-year Renminbi benchmark loan interest rate and one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 5.1% and 2.25% respectively. According to existing PBOC regulations, Renminbi-denominated deposits in commercial banks in the PRC remain subject to restrictions and the interest rate for Renminbi-denominated deposits cannot be set above 130% of the relevant PBOC benchmark rate. Going forward, PBOC may further liberalise the existing interest rate restrictions on Renminbi-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in the PRC's banking industry will likely intensify as the PRC's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by PBOC may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, thereby materially and adversely affecting the Group's business, financial condition and results of operations which in turn may negatively affect the Group's ability to service the Bonds and to satisfy its other obligations under the Bonds.

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

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

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

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

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

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

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

The Group is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. CBRC requires all commercial banks in the PRC to maintain certain financial ratios throughout its operations. In particular, pursuant to the Commercial Banking Law, CBRC requires all

commercial banks in the PRC to maintain a loan to deposit ratio of no more than 75 per cent. (the calculation criteria of such loan to deposit ratio were adjusted by CBRC with effect from 1 July 2014). Based on the regulatory returns reported to CBRC, as at 31 December 2014, the Group's loan to deposit ratio was 72.97 per cent. Although the Group endeavours to comply with the loan to deposit ratio stipulated by CBRC, the continued growth of its customer deposits is affected by a number of factors, many of which are beyond its control. There can be no assurance that the Group will continue to maintain its loan to deposit ratio of no more than 75 per cent. at all times or at all. If the Group fails to maintain such ratio, the Group may be subject to prudential supervisory measures imposed by CBRC, such as suspension of any applications for the operation of new businesses and the establishment of new branches or sub-branches and, accordingly, its business, financial condition and results of operations may be adversely affected.

In recent years, CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC. In April 2011, CBRC promulgated the Guideline Concerning the Implementation of New Regulatory Standards for the PRC Banking Industry to clarify the direction for future regulations and the requirement for prudent regulatory requirements. In June 2012, CBRC promulgated the CBRC Capital Regulations which sets out the new requirements for capital adequacy which became effective on 1 January 2013, the minimum capital adequacy ratio, tier 1 capital adequacy ratio and common equity tier 1 capital adequacy ratio for commercial banks to meet by the end of 2018 are 8 per cent., 6 per cent. and 5 per cent., respectively. On 30 November 2012, CBRC issued the Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), which sets out the requirements for capital adequacy ratio during the phase-in period. As a domestic systematically important bank and a global systematically important bank, the Group is subject to additional capital requirements of the CBRC and the Basel Committee. As at 31 December 2014, the Group's capital adequacy ratio, tier 1 capital adequacy ratio and common equity tier 1 capital adequacy ratio (calculated in accordance with the advanced approach under CBRC Capital Regulations) were 13.87 per cent., 11.35 per cent. and 10.61 per cent., respectively.

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

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

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

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

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

Risks Relating to the Group's Business

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

The Group's results of operations have been and will continue to be negatively impacted by its impaired loans. According to International Financial Reporting Standards ("IFRS"), being the set of accounting principles that are applicable to the Group, loans are impaired if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. As at 31 December 2014, the Group's non-performing loans under its five-category loan classification were RMB100.494 billion, representing a non-performing loan ratio of 1.18 per cent. The Group seeks to continue to improve its credit risk management policies, procedures and systems, and has been able to effectively control the level of its impaired loans, despite the financial turmoil in global markets.

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

As at 31 December 2014, the balance of the Group's allowance for impairment losses on loans and advances is RMB188.531 billion and the NPL provision coverage ratio is 187.60 per cent. The Group's allowance for impairment losses on loans and advances is affected by various factors, including the quality of the Group's loan portfolio, the Group's borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral, the extent of any guarantees, the industry in which the borrower operates, as well as general economic and business conditions. Many of these factors are beyond the Group's control. Furthermore, the adequacy of the Group's allowance for impairment losses depends to a significant extent on the reliability of, and its skills in utilising, its model for determining the level of allowance, as well as its system of data collection. The limitations of the Group's model, its lack of experience in using the model and deficiencies in its data collection system may result in inaccurate and insufficient allowance for impairment losses. As a result, the Group's actual impairment losses could prove to be different from its estimates and could exceed its allowance. If the Group's allowance for impairment losses on loans and advances proves insufficient to cover actual losses, it may need to make additional allowance for losses, which could significantly reduce its profit and adversely affect its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

Real Estate Sector

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

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

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

LGFVs

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

The Group attaches great importance to the credit management of LGFVs and has undertaken a series of measures, such as access lists, industry quotas, debt limitation models and regular review, to reduce credit risks associated with loans to LGFVs. The Group intends to further strengthen the risk management of LGFVs. Although the Group has taken a variety of credit risk management measures, it may not discover all potential risks associated with irregular operations, large debts and unsustainable revenues of LGFVs or the potential reform or elimination of non-compliant entities by local governments. In addition, as local government revenues are primarily derived from taxes and land premiums, the economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans. There can be no assurance that the LGFVs will be able to fulfil their obligations under the terms of the loans on time or at all. Any failure by these LGFVs to fulfil their loan obligations may have a material and adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

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

The Group continues to improve its internal control system. The Group's Risk Management and Internal Control Committee under its senior management as well as the risk management and internal control committees of the Group's branches are responsible for ensuring the effective performance of the Group's

internal control system. The Group expends significant effort on the development of its internal control system, improvement of its management mechanisms including internal control examination, modification and monitoring of workflow and internal control and compliance assessment, enhancement of the standardisation of management procedures, and strengthening of monitoring of key internal control measures and key positions. In addition, by further increasing the independence, professional competence and effectiveness of its internal audit function, the Group continuously improves its internal audit in overall business and risk management and strengthens the communication between its internal audit committee and external auditor as well as between the management and the internal audit department. However, if the Group's internal control system is not effectively implemented or consistently applied, the Group's business operations, financial results and reputation may be adversely affected.

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

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

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

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

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

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

The value of Renminbi against U.S. dollar, Euro and other currencies fluctuates and is affected by many factors, such as changes in political and economic conditions in the PRC and globally. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of Renminbi

to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In July 2008, the PRC Government announced that its exchange rate regime would change into a managed floating mechanism based on market supply and demand. Given domestic and overseas economic developments, PBOC adjusted the Renminbi exchange rate regime in April 2012 to enhance the flexibility of the Renminbi exchange rate. The PRC Government may make further adjustments to the exchange rate system in the future. Any appreciation of Renminbi against U.S. dollar, Euro or any other foreign currency may result in a decrease in the value of the Group's foreign currency-denominated assets. Conversely, the Group is required to obtain approval from the SAFE before converting foreign currencies into Renminbi for non-current account transactions, such as repayment of the principal of loans and equity investments. All these factors may adversely affect the Group's business, financial condition and results of operations, as well as its compliance with the capital adequacy ratios and operating ratios requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group may be subject to sanctions if it conducts transactions in violation of the relevant sanctions regulations, which could adversely affect your investment in the Notes

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

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

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

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

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

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

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

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

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

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

The Group determines a level of allowance for impairment losses and recognises any related provisions made in a year using the concept of impairment under International Accounting Standards and their interpretations ("IAS 39"). The Group's provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IAS 39. As a result, the Group's allowance for impairment losses, as determined under those provisioning policies, may differ from those that would be reported if it was incorporated in those countries or regions.

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

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

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

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

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

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

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

Internet banking services involve risks of security breaches

Internet banking activities involve the electronic storage and transmission of confidential information, which are vulnerable to unauthorised access, external network attacks and other disruptions. These possible security threats could expose the Group to liability and damage its reputation. Costs incurred in

preventing security threats may be high and may adversely affect the Group's business, financial condition and results of operations. The failure of the Group to detect any defects in software products which are used in providing its internet banking services and an unexpected and sudden high volume of internet traffic may have an adverse effect on the Group's internet banking business.

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

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

Risks Relating to the PRC

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Global Economy

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

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

Currently, conditions of the global economy remain weak. In addition, a debt crisis has emerged in Europe due to serious concerns over the abilities of certain EU member countries such as Greece to repay their debt, leading to further uncertainty for the global economy and financial markets. The continuing slowdown of the global economy and increasing uncertainties in financial markets could adversely affect the Bank's financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Bank's customers or counterparties might default on their loan repayments or other obligations to the Bank, which, in turn, could result in the Bank recording a higher level of non-performing loans, allowance for impairment losses and write-offs;
- the increased regulation and supervision of the financial services industry, including the proposed implementation of new capital adequacy requirements under the Basel III, may restrict the Bank's business flexibility and increase its compliance and operating costs;

- the value of the Bank’s investments in debt securities issued by overseas governments and financial institutions may significantly decrease;
- the Bank’s ability to raise additional capital on favourable terms, or at all, could be adversely affected; and
- trade and capital flow may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank’s business prospects.

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

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

Risks Relating to the Market Generally

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

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

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

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

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

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

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

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

Credit ratings may not reflect all risks

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

Risks Relating to Subordinated Notes Issued under the Programme

Basel III and related reforms

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

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

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

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

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

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

On 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, known as the Recovery and Resolution Directive (the “**RRD**”). The stated aim of the draft RRD is to provide supervisory authorities with common tools and powers to address banking crisis pre-emptively in order to safeguard financial stability and minimise taxpayers’ exposure to losses. The powers proposed to be granted to supervisory authorities under the draft RRD include a “bail-in” tool, which would give such authorities the power to write down or write off the claims (potentially including the Notes) of certain unsecured creditors of a failing institution and/or to convert certain debt claims to equity. Except for the general bail-in tool, which is expected to be implemented by 1 January 2018, it is currently contemplated that the measures set out in the draft RRD (including the power of authorities to write off Tier 2 instruments) will be implemented with effect from 1 January 2015. However, the RRD is not in final form and changes may be made to it in the course of the legislative process.

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

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

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

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

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

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

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

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

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

Other regulatory capital instruments may not be subject to Write-off

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Notes Issued under the Programme

Notes may not be a suitable investment for all investors

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

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

Considerations related to FATCA Tax Provisions

Whilst the Notes are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems (see “*Taxation–FATCA*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository or common safekeeper for the Clearing Systems (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an “**IGA**”) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

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.

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

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

Investors shall be aware of the effect of change of law

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

Considerations related to a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

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

Variable Rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to

convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

Risks Relating to Renminbi Denominated Notes

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

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

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

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

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

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under the Renminbi Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer’s ability to source Renminbi outside the PRC to service Renminbi Notes

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

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

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

Investment in the Renminbi Notes is subject to exchange rate risks

The 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. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks

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

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

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

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depository for Clearstream, Luxembourg and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU Service, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

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

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

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

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

USE OF PROCEEDS

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

FORMS OF THE NOTES

Bearer Notes

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

within seven days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

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

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

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

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

Registered Notes

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

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

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

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

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

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

Global Note Certificate exchangeable for Individual Note Certificates

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

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

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

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

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

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

Terms and Conditions applicable to the Notes

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

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

1. Introduction

- (a) **Programme:** Bank of China Limited (the “**Bank**”) has established a Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$20,000,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) **Pricing Supplement:** Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes issued by the Issuer (as defined below). The terms and conditions applicable to any particular Tranche of Notes are set out in the relevant pricing supplement (the “**Pricing Supplement**”) which supplements, amends and/or replaces these terms and conditions (the “**Conditions**”). In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) **Trust Deed:** The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 17 June 2015 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and The Bank of New York Mellon, London Branch as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

If so specified in the relevant Pricing Supplement, a Tranche of Notes may be constituted by a deed between the Issuer and the specified alternative trustee (the “**Alternative Trustee**”) incorporating the Trust Deed. The Alternative Trustee shall be the Trustee for the purposes of the Conditions applicable to such Tranche of Notes.

- (d) **Agency Agreement:** The Notes are the subject of an issue and paying agency agreement dated 17 June 2015 (the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon, London Branch and The Bank of New York Mellon as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon and The Bank of New York Mellon, Hong Kong Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the “**CMU Lodging and Paying Agent**”, which expression includes any successor CMU lodging and paying Agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent and the CMU Lodging and Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.

If so specified in the relevant Pricing Supplement that an Alternative Trustee would be appointed for the relevant Tranche of Notes, the Agency Agreement shall not apply to such Tranche of Notes and such alternative arrangement as specified in the Pricing Supplement shall apply.

For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such reference shall be construed accordingly.

- (e) **The Notes:** The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

- (f) **Summaries:** Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of the Paying Agents and the principal office in Hong Kong of the Principal Paying Agent.

2. Interpretation

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

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

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

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

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

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

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

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

- (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

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

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

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

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

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

- (i) if **“Actual/Actual (ICMA)”** is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;
- (ii) if **“Actual/365”** or **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **“Actual/360”** is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and “**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30; and

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

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

where:

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

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

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

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

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

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Issuer” means the Bank or, in respect of any Tranche of Notes issued by a branch of the Bank, such branch of the Bank as specified in the relevant Pricing Supplement;

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

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

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

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

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

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

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

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

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

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

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

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

“**Payment Business Day**” means:

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

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

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

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

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

“**Public External Indebtedness**” means any indebtedness of the Issuer (or, for the purposes of Condition 15, 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, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days;

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

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

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

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

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

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

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

“Regular Period” means:

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

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

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

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

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

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

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

3. Form, Denomination, Title and Transfer

- (a) **Bearer Notes:** Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) **Title to Bearer Notes:** Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) **Registered Notes:** Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.
- (d) **Title to Registered Notes:** The Registrar will maintain a register outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the register (the “**Register**”). In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. If so specified in the relevant Pricing Supplement, no Note Certificate shall be issued in respect of the relevant Tranche of Notes, all references to “**Holder**” shall mean the person appearing in the records of the Specified Clearing System as the Accountholder entitled to such Notes and “**Noteholder**” shall be construed accordingly.
- (e) **Ownership:** The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

- (f) **Transfers of Registered Notes:** Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) **Registration and delivery of Note Certificates:** Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) **Closed periods:** Noteholders may not require transfers to be registered:
- (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes;
 - (ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 11(b) (*Redemption for tax reasons*) or Condition 11(c) (*Redemption at the option of the Issuer*); and
 - (iii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 11(e) (*Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders*).
- (j) **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status

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

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

5. **Covenant to Maintain Ratings:** So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of holder of the Notes, the Issuer undertakes that it will use all its reasonable endeavours to maintain the rating on the Notes by a Rating Agency specified in the relevant Pricing Supplement.

6. Fixed Rate Note Provisions

- (a) **Application:** This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 12 (*Payments–Bearer Notes*) and 13 (*Payments–Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit-" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note and Index-Linked Interest Note Provisions

- (a) **Application:** This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 12 (*Payments–Bearer Notes*) and 13 (*Payments–Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (v) notwithstanding the foregoing, if the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as CNH HIBOR:
 - (A) the Rate of Interest for each Interest Period will, subject as provided below, be either:
 - (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent;
 - (B) and the Relevant Screen Page is not available or, if sub-paragraph (v)(A)(1) above applies and no such offered quotation appears on the Relevant Screen Page, or, if subparagraph (v)(A)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Hong Kong office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent. If all four Reference Banks provide the Calculation Agent with such offered quotations, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

- (C) if subparagraph (v)(B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in CNH for a period equal to that which would have been used for the Reference Rate by leading banks in the Hong Kong inter-bank market. If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest shall be (i) the offered rate for deposits in CNH for a period equal to that which would have been used for the Reference Rate by a bank, or (ii) the arithmetic mean of the offered rates for deposits in CNH for a period equal to that which would have been used for the Reference Rate by two or more banks, in each case as informed to the Calculation Agent by such bank or banks (which shall be such bank or banks being in the opinion of the Bank suitable for such purpose) as being quoted by each such bank at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date to leading banks in the Hong Kong inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period); and
- (D) in no event shall the Rate of Interest be less than zero per cent. per annum.

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

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the London inter-bank offered rate (LIBOR), (y) the Eurozone inter-bank offered rate (EURIBOR) or (z) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.
- (e) **Index-Linked Interest:** If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.
- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit-" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) **Calculation of other amounts:** If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (i) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Deferral of Interest on Undated Subordinated Notes

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

9. Zero Coupon Note Provisions

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

10. Dual Currency Note Provisions

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

11. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, each Note which is not an Undated Subordinated Note will be redeemed at its Final Redemption Amount on the Maturity Date, subject as provided in Conditions 12 (*Payments–Bearer Notes*) and 13 (*Payments–Registered Notes*). If such Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 11 or Condition 15(b).
- (b) **Redemption for tax reasons:** Subject (in the case of Subordinated Notes) to Condition 11(h), where the Issuer is a branch of the Bank, the Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

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

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

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall procure that there is delivered to the Trustee (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts

showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and, further (C) in the case of Subordinated Notes, a copy of the written approval of the Regulatory Authority(ies) specified in the applicable Pricing Supplement.

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

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

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

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

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

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

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

(e) **Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders:** Subject (in the case of Subordinated Notes) to Condition 11(h), if the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Senior Note or, as the case may be, any Dated Subordinated Note, redeem such Senior Note or, as the case may be, any Dated Subordinated Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(e), the Holder of a Senior Note or a Dated Subordinated Note must, not less than 30 nor more than

60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Senior Note or, as the case may be, such Dated Subordinated Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Senior Note or, as the case may be, or a Dated Subordinated Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Senior Noteholder or Dated Subordinated Noteholder. No Senior Note or Dated Subordinated Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Senior Note or Dated Subordinated Note becomes immediately due and payable or, upon due presentation of any such Senior Note or Dated Subordinated Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Senior Noteholder or Dated Subordinated Noteholder at such address as may have been given by such Senior Noteholder or such Dated Subordinated Noteholder in the relevant Put Option Notice and shall hold such Senior Note or such Dated Subordinated Note at its Specified Office for collection by the depositing Senior Noteholder or Dated Subordinated Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Senior Note or Dated Subordinated Note is held by a Paying Agent in accordance with this Condition 11(e), the depositor of such Senior Note or such Dated Subordinated Note and not the Paying Agent shall be deemed to be the Holder of such Senior Note or such Dated Subordinated Note for all purposes. Any Put Option Notice given by a Holder pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred in which event such Holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note or Dated Subordinated Note forthwith due and payable pursuant to Condition 15 (*Events of Default*).

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

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

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

12. Payments–Bearer Notes

This Condition 12 is only applicable to Bearer Notes.

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency

(or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

- (b) **Interest:** Payments of interest shall, subject to paragraph (h) below, be made only against presentation and **(provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

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

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

- (d) **Payments subject to fiscal laws:** All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*), and (ii) notwithstanding the provisions of Condition 14 (*Taxation*), any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 14 (*Taxation*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) **Deductions for unmatured Coupons:** If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than

the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (f) **Unmatured Coupons void:** If the relevant Pricing Supplement specifies that this Condition 12(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 11(b) (*Redemption and Purchase–Redemption for tax reasons*), Condition 11(c) (*Redemption and Purchase–Redemption at the option of the Issuer*), Condition 11(e) (*Redemption and Purchase–Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders*) or Condition 15 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) **Payments on business days:** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

13. Payments–Registered Notes

This Condition 13 is only applicable to Registered Notes.

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

day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

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

- (c) **Payments subject to fiscal laws:** All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*), and (ii) notwithstanding the provisions of Condition 14 (*Taxation*), any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 14 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) **Payments on business days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13 arriving after the due date for payment or being lost in the mail.
- (e) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) **Record date:** Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

14. Taxation

- (a) All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that

event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or
 - (iii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
 - (iv) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.
- (b) If the Issuer becomes subject at any time to any taxing jurisdiction other than the Tax Jurisdiction(s), references in these Conditions to the Tax Jurisdiction(s) shall be construed as references to the Tax Jurisdiction(s) and/or such other jurisdiction.

15. Events of Default

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

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

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

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

- (iv) *Insolvency*: 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;
- (v) *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 ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Noteholders, or (b) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (vi) *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 Trust Deed.

(b) Events of Default relating to Subordinated Notes:

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

16. Prescription

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

17. Replacement of Notes and Coupons

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

18. Trustee and Agents

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

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

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

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

- (i) the Issuer shall at all times maintain a principal paying agent and a registrar; and
- (ii) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (iv) the Issuer shall at all times maintain a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU Service; and
- (v) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

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

19. Meetings of Noteholders; Modification and Waiver

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

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

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

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

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

20. Enforcement

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

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

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

21. Further Issues

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

22. Notices

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

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg, The Depository Trust Company or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice. In the case of a Specified Clearing System in respect of a Tranche of Notes where no Note Certificates are issued, notices shall be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders.

23. Currency Indemnity

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

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

24. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

25. Governing Law and Jurisdiction

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

FORM OF PRICING SUPPLEMENT

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

Pricing Supplement dated [●]

Bank of China Limited/[specify other foreign branch]

**Issue of [Aggregate Nominal Amount of Series] [Title of Notes]
under the U.S.\$20,000,000,000 Medium Term Note Programme**

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated 17 June 2015. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [and the supplemental Offering Circular dated [date]].

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

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

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

1. Issuer: Bank of China Limited/[specify other foreign branch]
2. [(i)] Series Number: [●]
[(ii)] Tranche Number: [●]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount: [●]
[(i)] Series: [●]
[(ii)] Tranche: [●]
5. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
(ii) Net Proceeds: [●] [(Required only for listed issues)]

6. (i) Specified Denominations^{1, 2}: [●]
- (ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*Specify/Issue Date/Not Applicable*]
8. Status: [Senior/Subordinated]
9. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]³
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
10. Interest Basis: [[●] per cent. Fixed Rate]
- [[*Specify reference rate*] +/- [●] per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (*Specify*)]
- (further particulars specified below)

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

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

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

11. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*Specify*)]
12. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
[Not applicable]
13. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
14. Listing: [Hong Kong/Other (*specify*)/None] (For Notes to be listed on the [Hong Kong Stock Exchange], insert the expected effective listing date of the Notes)
15. [Date [Board] approval for issuance of Notes obtained: [●] [and [●], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/ other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]

- (iii) Fixed Coupon Amount[(s)]: per Calculation Amount⁴
- (iv) Broken Amount(s): per Calculation Amount, payable on the Interest Payment Date falling [in/on]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 18. Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period(s): , subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (ii) Specified Period:
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)*
- (iii) Specified Interest Payment Dates: , subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)*
- (iv) First Interest Payment Date:
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] [Not Applicable]

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

- (vi) Additional Business Centre(s): [Not Applicable/give details]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]
- (ix) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [For example, Reuters LIBOR 01/EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction: [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]

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

20. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [*give or annex details*]
- (ii) Calculation Agent responsible for calculating the interest due: [●]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest or calculation period(s): [●]
- (vii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)*
- (viii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)*

- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (x) Additional Business Centre(s): [●]
- (xi) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]

21. Dual Currency Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

22. Call Option [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]

23. **Put Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
24. **Final Redemption Amount of each Note** [●] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Payment Date: [●]
- (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount
25. **Early Redemption Amount** [Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *(If each of the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]⁵

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

Registered Notes:

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

[Other (as applicable): [●]]

27. Additional Financial Centre(s) or other special provisions relating to payment dates:

[Not Applicable/give details.

Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(vi) and 18(x) relate]

28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. If yes, give details]

29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:

[Not Applicable/give details]

30. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:

[Not Applicable/give details]

31. Redenomination, renominalisation and reconventioning provisions:

[Not Applicable/The provisions annexed to this Pricing Supplement apply]

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

32. Consolidation provisions: [The provisions in Condition 21 (*Further Issues*)]
[annexed to this Pricing Supplement] apply
33. Any applicable currency disruption/fallback provisions: [Not Applicable/*give details*]
34. Other terms or special conditions: [Not Applicable/*give details*]

[*Insert provisions for Subordinated Notes*]

DISTRIBUTION

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

(*In the case of Bearer Notes*) – [RULES C/
RULES D/TEFRA not applicable]

(*In the case of Registered Notes*) – Not Applicable
39. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

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

GENERAL

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

[USE OF PROCEEDS

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

STABILISING

In connection with this issue, [insert name of Stabilising Manager] (the "Stabilising Manager") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.\$20,000,000,000 Medium Term Note Programme of the Issuer.

RESPONSIBILITY

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

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

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

By:
Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

In relation to any Series of Notes represented by one or more Global Note Certificates, references in the Conditions of the Notes to “Noteholder” are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC will be Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and (b) in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

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

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of Notes represented by such Global Note or Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Registered Note.

Transfers of Interests in Global Notes and Global Note Certificates

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Trustee, the Registrar, the Dealer or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants,

who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected through the Principal Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

Upon the issue of a Restricted Global Note Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in such Global Note Certificate will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of such Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in “*Transfer Restrictions*”).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Registrar, the Dealer or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

Conditions applicable to Global Notes

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

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “Clearing System Business Day” means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 11(e) (*Redemption of the Senior Notes or the Dated Subordinated Notes at the option of the Noteholders:*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 11(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 22 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, registered in the name of DTC’s nominee or deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 22 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's audited consolidated debt and capitalisation as at 31 December 2014. Please read this table in conjunction with the Group's audited consolidated financial information and the accompanying notes which have been incorporated by reference into this Offering Circular.

	As at 31 December 2014 (Audited) (RMB million)
Debt ⁽¹⁾	
Bonds issued	278,045
Other borrowings	30,447
	308,492
Total debt.	308,492
 Equity	
Capital and reserves attributable to equity holders of the Bank	
Share capital.	288,731
Other equity instruments	71,745
Capital reserve	130,797
Treasury shares.	(25)
Other comprehensive income	(13,671)
Statutory reserves	96,105
General and regulatory reserves	159,341
Undistributed profits	407,836
	1,140,859
Non-controlling interests	42,569
Total equity	1,183,428
Total equity and liabilities.	15,251,382

Note:

(1) In addition, as at 31 December 2014, the Group had borrowings from central banks, deposits and money market deposits from customers and other banks, certificates of deposits, securities sold under repurchase agreements, credit commitments, acceptances, issued letters of guarantee and letters of credit, financial lease commitments and other commitments and contingencies, including outstanding litigation, that arise from its ordinary course of business.

As at 31 December 2014, the total authorised share capital of the Bank was RMB288,731,148,000 dividing into 288,731,148,000 shares of RMB1.00 par value each, all of which had been issued and were fully paid-up, comprising of RMB205,108,871,605 A Shares and 83,622,276,395 H Shares.

Except as disclosed in this Offering Circular, there has been no material adverse change in the capitalisation of the Group since 31 December 2014.

DESCRIPTION OF THE BANK

Overview

The Group is one of the largest state-owned commercial banks in the PRC, which owns a comprehensive financial service platform. Besides the commercial banking business which includes corporate banking, personal banking and financial market business, the Group also operates an investment banking business through BOC International Holdings Limited (“**BOC International**”) and BOC International (China) Limited (“**BOCI China**”), an insurance business through Bank of China Group Insurance Company Limited (“**BOCG Insurance**”), BOC Group Life Assurance Company Limited (“**BOCG Life**”) and Bank of China Insurance Company Limited (“**BOC Insurance**”), a fund management business through Bank of China Investment Management Co., Ltd. (“**BOCIM**”), and a direct investment and investment management business through the Bank of China Group Investment Limited (“**BOCG Investment**”). In 2006, after successfully acquiring Singapore Aircraft Leasing Enterprise, a leading company in such business in Asia, the Group changed the acquired company’s name to BOC Aviation Pte. Ltd (“**BOC Aviation**”) and became the first Chinese bank to enter the global aircraft leasing business. The combination of these businesses has created a universal banking platform that provides the Bank with the ability to offer a broad range of financial products and services and enables it to establish stronger relationships with strategically targeted customers and strengthen customer loyalty.

Established in 1912, the Bank is one of the best-known commercial banks in the PRC. During more than 100 years of history, the Bank has built one of the most recognised brand names in the PRC through its contributions to the evolution of the PRC commercial banking industry. The Bank has many significant achievements in the PRC commercial banking sector. For example, in 1929 the Bank was the first PRC commercial bank to establish a foreign branch with the opening of its London branch. In addition, in 1985, the Bank offered the first bank card in the PRC. In 1994 and 1995, the Bank’s Hong Kong subsidiary and Macau branch became bank note issuing banks in Hong Kong and Macau, respectively. Furthermore, in 1998, the Bank arranged the first U.S. dollar-denominated syndicated loan for a PRC bank as the lead manager and agent. In 2002, Bank of China (Hong Kong) Limited listed on The Stock Exchange of Hong Kong after a special restructuring of 12 banks in Hong Kong. The Bank was the sponsor of the 2008 Olympic Games held in Beijing. In 2011, the Bank became the first G-SIFI in China and emerging economy countries and regions. The Bank celebrated its 100th Year Anniversary in 2012.

The Bank was converted into a joint stock company in the PRC in 2004. In 2006, the Bank listed on The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange. Since 2011, the bank has won honours and awards including the “Best Product Innovation Award in China’s Banking Industry (中國銀行業最佳產品創新獎)” by *Financial Times*, “Best Trade Finance Bank in China (中國最佳貿易融資銀行)”, “Best RMB Clearing Bank in Asia Pacific”, “Best Capital Management Project in China”, “Best Treasury Project” and “Best Branch Banking in Asia Pacific” by *The Asian Banker*, “Bank of the Year China” by *The Banker*, “Private Bank Country Awards in China” by FinanceAsia, “Best Trade Finance Bank in China (中國最佳貿易融資銀行)” by *The Asset Hong Kong*, “The Most Influential Bank in Asia (亞洲最具影響力銀行)”, “Best Domestic Private Bank of the Year (年度最佳中資私人銀行)” and “Best Asset Custody Bank of Year 2013 (2013年最佳資產託管銀行)” by *21st Century Business Herald*, “Best Asset Custody Award (最佳資產託管獎)” from *Top CFO* and “Best Board of Directors (最佳董事會獎)” from *Directors & Boards*. In 2013, the Bank won numerous awards including “Best Bank in China” and “Best Domestic Bank in China” by *Euromoney* and “Best Domestic Bank in China” by *The Asset* and has been included in the “Fortune Global 500” list for 25 consecutive years.

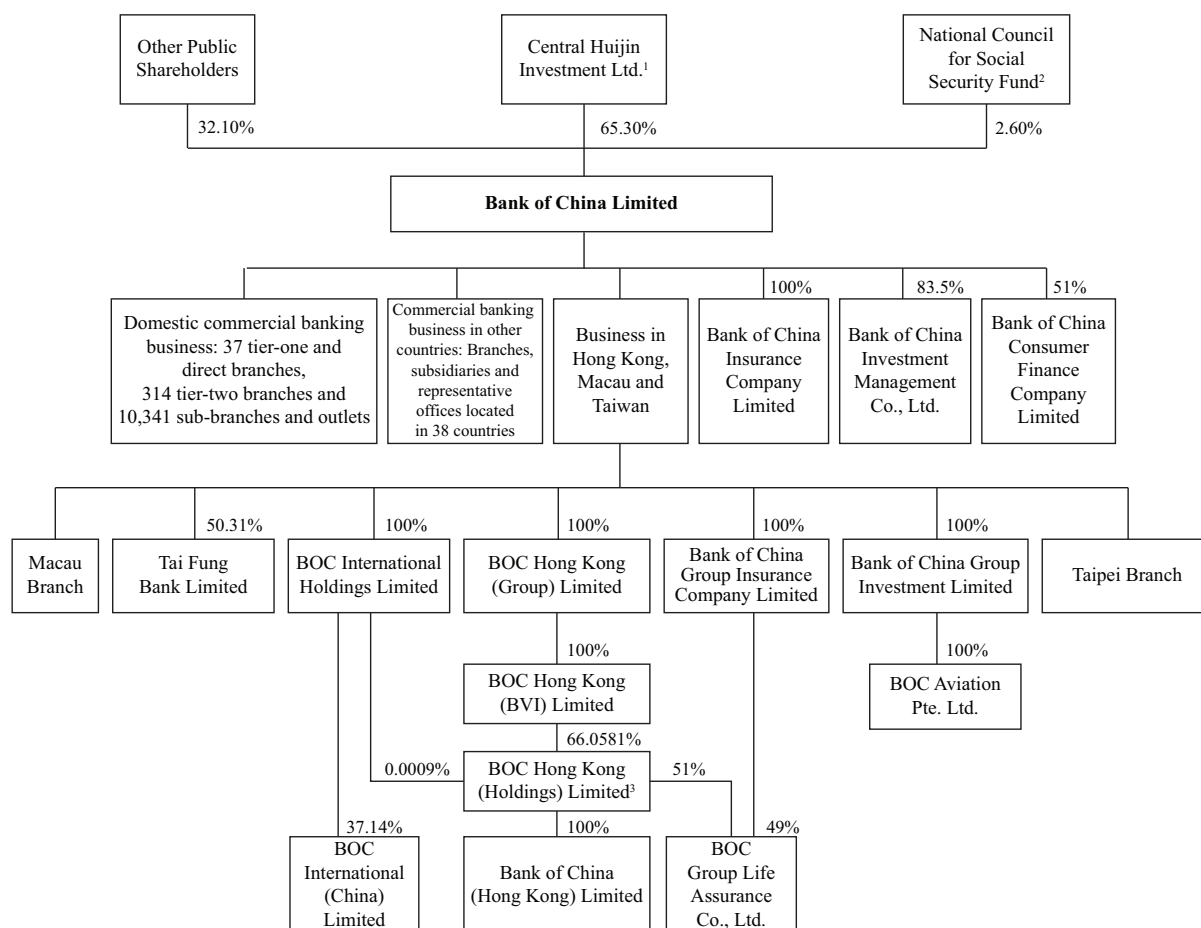
On 4 November 2011, the Bank was included by the Financial Stability Board, the international organisation for financial supervision and consultation, in the list of the 29 global systemically important financial institutions, among which the Bank was the only bank from China and emerging economy countries and regions. Since 2011, the Bank was listed as a global systemically important financial institution for three years consecutively.

As at 31 December 2014, the Group’s NPLs totalled RMB100.494 billion, the NPL ratio was 1.18%, the coverage ratio of allowance for loan impairment losses to NPLs was 187.60% and the credit cost was 0.58%.

As at the end of 2014, the Group achieved a profit for the year of RMB177.198 billion and a profit attributable to equity holders of the Bank of RMB169.595 billion, an increase of 8.22% and 8.08% respectively compared with 2013. As at 31 December 2014, the Group's total loans and advances to customers amounted to RMB8,483.275 billion and the Group's total liabilities due to customers amounted to RMB10,885.223 billion. As at 31 December 2014, the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 10.61%, 11.35% and 13.87%, respectively, calculated according to the advanced approach under the CBRC Capital Regulations.

Organisational Chart

The Group's organisational chart as at 31 December 2014 was as follows:



Notes:

- (1) The interest of Central Huijin Investment Ltd. reflects its latest disclosure of interest made pursuant to SFO, which does not reflect its increase in holding of the Bank's A Shares from 2011 to the end of the reporting period.
- (2) The proportion of H Shares held by National Council for Social Security Fund is based on the interest recorded in the register maintained by the Bank pursuant to section 336 of the SFO.
- (3) Listed on the Hong Kong Stock Exchange.

The Bank's Strengths

The Bank's principal strengths include:

Well-Recognised Brand Name

Established in 1912, the Bank is one of the most well-known commercial banks in the PRC. In the Bank's over 100 years history, the Bank has successfully built one of the most recognised brand names in the PRC through its contributions to the evolution of the PRC commercial banking industry.

Largest and Rationally Distributed Overseas Network Complementing an Extensive Domestic Network

As at 31 December 2014, the Bank had a total of 11,514 domestic and overseas branches, subsidiaries and outlets, including 10,886 branches, subsidiaries and outlets in the Chinese mainland and 628 branches, subsidiaries and representative offices in Hong Kong, Macau, Taiwan and other countries. For the commercial banking business in the Chinese mainland, there were 37 tier-one and direct branches, 314 tier-two branches and 10,341 outlets.

The Bank's extensive domestic and overseas network enables it to structure and deliver products and services to serve its customers on a global basis, and allows it to capture the business opportunities arising from the increasing integration of the PRC into the global economy.

Solid Customer Base and Strong Presence in Attractive Customer Segments

In the PRC, foreign exchange services tend to be utilised by large corporate customers and affluent individuals. Capitalising on the Bank's position as one of the most experienced foreign exchange banks in the PRC and its extensive global network, the Bank has established and continued to maintain strong relationships with leading domestic and international corporations and financial institutions. The Bank also has a strong presence in the retail customer segment.

Universal Banking Platform

In addition to commercial banking, the Bank provides investment banking, insurance and other services through the Bank's wholly-owned subsidiaries, namely, BOC International, BOCI China, BOCG Insurance, BOC Insurance, BOCG Investment and BOC Aviation and through the Bank's subsidiaries such as BOCG Life and BOCIM.

The Bank fully utilises the advantages in its diversified business platform and its subsidiaries embrace the Group's overall strategy to focus on their specialised business areas, establish business linkage, promote cross-selling and product innovation to enhance the synergy across the Group and provide comprehensive and quality financial services to the customers.

Through these subsidiaries, the Bank believes it is well positioned to benefit from the significant growth potential in the investment banking, insurance and other businesses. In addition, this business structure enables the Bank to diversify its sources of income.

Leader in Non-Interest Income and Treasury Businesses with Strong Product Innovation Capabilities

The Bank believes its diversified products and innovation capabilities have enabled it to generate a higher level of non-interest income, thus reducing its reliance on its traditional lending business. The Group's operating income comprises net interest income and non-interest income. In recent years, the Bank has further built upon its strengths in the trade finance business and co-ordinated the development of traditional businesses such as international settlement and issuance of letters of guarantee, and emerging businesses, such as cross-border Renminbi business and supply chain financing. The Bank has also experienced a steady growth in revenue from the letter of credit, letters of guarantee, factoring and trade finance-related businesses. In addition, the accelerated development of the domestic settlement business has promoted the income growth of settlement and clearing businesses. The Bank has also further developed its insurance agency and pension businesses, which resulted in a substantial increase in income related to agency commission fees. Each of BOCHK, BOC (Malaysia), Bank of China Macau Branch, Taipei Branch, Sydney Branch, Frankfurt Branch and Paris Branch is a designated Renminbi clearing bank

of PBOC. The Bank is also a main Renminbi clearing channel in other countries including Malaysia, the Philippines, Cambodia and Kazakhstan. The Bank also serves as a Renminbi market maker in Russia. The Bank's global markets department offers a broad range of treasury products and services for different customer groups, as well as conducts settlement and related quotation, and 24-hour daily treasury activities through its five trading centres located in Hong Kong, London, New York, Beijing and Shanghai.

The Bank believes its ability to offer innovative financial solutions to its customers, which provides it with a competitive advantage over other PRC commercial banks.

Experienced Senior Management Team

The Bank's senior management team has extensive experience in the banking and financial services. In particular, the Bank's Chairman, Mr Tian Guoli, has more than 30 years of experience in the banking industry and was Vice Chairman of China CITIC Group prior to joining the Bank in 2013. The Bank's President, Mr Chen Siqing, has more than 20 years of experience in the banking industry. He successively served as Assistant General Manager and Vice General Manager of the Fujian Branch of the Bank, General Manager of the Risk Management Department of the Bank's Head Office, General Manager of the Guangdong Branch of the Bank and Executive Vice President of the Bank.

Principal Business Activities

The Group's principal lines of business consist of commercial banking, investment banking and insurance. The following table sets forth the profit before income tax by the Group's principal lines of business for the periods indicated:

Profit before Income Tax by Business Lines

	For the year ended 31 December					
	2014		2013		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	(restated)					
	<i>(RMB million, except percentages)</i>					
Commercial banking business including:						
Corporate banking business . . .	99,045	42.79%	109,584	51.50%	104,613	55.74%
Personal banking business	49,106	21.21%	42,995	20.21%	39,484	21.04%
Treasury operations	75,028	32.41%	51,989	24.43%	37,155	19.80%
Investment banking and insurance	3,285	1.42%	3,700	1.74%	1,987	1.06%
Others and elimination	5,014	2.17%	4,509	2.12%	4,434	2.36%
Total	231,478	100.00%	212,777	100.00%	187,673	100.00%

The Group conducts its business activities in the Chinese mainland, Hong Kong, Macau, Taiwan and 37 other overseas countries or regions. The following table sets forth a geographical breakdown of the profit before income tax of the Group for the periods indicated:

Profit before Income Tax by Geographical Areas

	For the year ended 31 December		
	2014	2013	2012
		(restated)	
		(RMB million)	
Chinese mainland	178,285	171,531	152,790
Hong Kong, Macau and Taiwan	38,048	32,442	26,696
Other countries and regions	15,145	8,800	8,187
Elimination	–	4	–
Total	231,478	212,777	187,673

1 Domestic Commercial Banking Business

Corporate Banking Business

The Bank has maintained a keen focus on restructuring its corporate banking business. It continues to promote product innovation, optimise its customer structure, expand its customer base, and enhance its diversified and integrated cross-border business, thus achieving balanced and steady development of corporate banking business. In 2014, the domestic corporate banking business recorded an operating income of RMB192.006 billion.

Corporate Deposits

In 2014, the Bank accelerated the expansion of corporate deposits, optimised its business structure, and promoted sustainable business development. It has consistently enhanced its competitiveness in the corporate deposit market by broadening its customer base, refining customer segmentation by industry, intensifying targeted customer marketing and product mix marketing, and accelerating the pace of product innovation, application and promotion. As at the end of 2014, RMB-denominated corporate deposits in the Bank's domestic operations totalled RMB4,431.867 billion, an increase of RMB252.610 billion or 6.04%, compared with the prior year-end. Foreign currency denominated corporate deposits amounted to USD43.443 billion, a decrease of USD3,180 million or 6.82%, compared with the prior year-end.

In 2014, the Bank actively sought customers along the upstream and downstream of the supply chain and industrial chain to expand its customer base and increase customer deposits. In addition, it strived to expand its administrative institution customer base by improving its product and service systems, resulting in a rapid growth of deposits from such institutions. In response to RMB interest rate liberalisation and serving the free trade zone, the Bank strengthened product innovation, upgraded various product functions such as corporate notice deposits and agreement deposits, and enhanced its cash management and settlement business's support to the deposit business. It also expanded deposit sources by taking advantages of enterprises' direct financing. In addition, the Bank improved the service channel functions, elevated the service levels of corporate banking and enhanced the deposit contribution of outlets.

Corporate Loans Business

In 2014, the Bank consistently reinforced its credit support for the overall growth of the real economy and offered enhanced financial services for the coordinated development of the regional economy. The Bank pushed forward the transformation of financial services for corporate customers, thus continuing to meet their varied financial needs. It has also actively provided credit support to the cross-border transfer of production capacity and to domestic enterprises' "Going Global" efforts, controlled total loans to LGFVs, and constrained lending to industries characterised by high pollution, high energy consumption or overcapacity. As at the end of 2014, the Bank's domestic RMB-denominated corporate loans totalled RMB4,021.257 billion, representing an increase of RMB332.281 billion or 9.01%, compared with the year-end of 2013; foreign currency denominated corporate loans amounted to USD81.747 billion, a decrease of USD0.783 billion or 0.95%, compared with the year-end of 2013.

In 2014, the Bank boosted the development of its globally integrated corporate finance service system, actively promoted its global customer manager mechanism, improved the globally centralised credit system, and established and expanded the global service platform for corporate clients, to enhance its comprehensive financial service capacity on a global basis. The Bank won the “Best Corporate Service Bank” award granted by *China Business News*.

Trade Finance and Settlement Business

Leveraging its advantages in international settlement and trade finance, in 2014, the Bank continued to provide its customers with comprehensive and customised services. It utilised its competitive advantages arising from its comprehensive service platforms and its overseas network, to offer efficient supply chain finance services in support of customers’ global operations and to provide “Going-Global” corporate customers with a variety of guarantee and credit enhancement support. The Bank launched innovative self-service products such as “Cheque Acceptor”, which provides an improved user experience for electronic-channel trade finance customers. The Bank further improved its customer structure through the continued expansion of agency services for fiscal authorities. It led the industry by launching the “BOC Offshore RMB Index (“ORI”),” which is a key indicator of the degree of RMB internationalisation. In 2014, the Group’s international settlement business maintained a leading market position among Chinese banks in terms of transaction volume. The Group maintained a leading position in cross-border RMB clearing business and settlement business. As at 31 December 2014, the value of cross-border RMB clearing business of the Group amounted to RMB240.8 trillion, representing an increase of 86.6% compared with at 31 December 2013. As at 31 December 2014, the volume of cross-border RMB settlement business of the Group amounted to RMB5.32 trillion, representing an increase of 34.0% compared with at 31 December 2013. Due to its market performance, the Bank was awarded “Best Trade Finance Bank in China” and “Best Trade Finance Bank” by various local and international media including *Global Finance*, *Trade Finance*, *Global Trade Review* and *The Asset*.

In 2014, the Bank accelerated product innovation in trade finance and settlement product and further strengthened its advantages in traditional businesses. It successfully launched Usance L/C Negotiable at Sight Basis as well as prepayment structured financing, in order to meet the diversified needs of customers. The Bank continued to improve the electronic system of the supply chain finance and enhanced its on-line trade finance service capabilities. The Bank launched products such as Integrated Account Service for Corporate Customers, and developed the Agency Service for Treasury. The Bank set up the Commodity Finance Unit (Shanghai), promoted the business development of Overseas Factoring Centre, Bank of China Commodity Finance Unit and Bank of China Forfaiting Unit.

In 2014, the Bank was recognised as the “Best Trade Finance Bank”, “Best Foreign Exchange Provider in China”, “Best Supply Chain Finance Provider in China” and “Best Cross-border RMB Bank in China” by various local and international publications and institutions, such as *Global Finance*, *Trade & Forfaiting Review*, *Global Trade Review* and *China Banking Association*. The Bank was also honoured with several other awards, including “Export and Import Factor of The Year” from *Factors Chain International (“FCI”)* and “Superior Competitive Cross-Border RMB Business Bank” from *China Business Journal*.

Cash Management Business

The Bank leverages its advantages as an international bank to provide efficient and convenient global cash management services to its customers. In 2014, its cash management business expanded to cover 41 countries and regions in the Asia Pacific region, Europe, Africa and the Americas. The Bank has pursued opportunities to deliver centralised management of foreign exchange funds at the headquarters of multinational companies. It also undertook product innovation with respect to the cross-border RMB and China (Shanghai) Pilot Free Trade Zone, providing customers with two-way cross-border RMB cash pool services. In addition, the Bank enriched and improved the functionality of its global cash management platform to enhance customer experience.

The Bank also introduced SWIFT direct connection service to expand the global fund operation channels of multinational groups. The Bank made innovations in the mode of combining supply chain finance and cash management products to support fund management across comprehensive supply chains. The Bank also promoted the integration of e-commerce with cash management products by seizing the opportunity arising from internet finance. The Bank was awarded with “Best Domestic Cash Manager in China” by *Euromoney*, “Year 2013 Best Cash Management Bank” by *Trade Finance*, “Best Treasury Management Bank” by *Treasury China* and “Best Cash Management Brand” by *CFO World*.

Financial Institutions Business

In 2014, the Bank continued to strengthen all-around cooperation with global financial institutions. The Bank has established correspondent relationships with over 1,600 financial institutions in 179 countries and regions, and opened 1,290 cross-border RMB clearing accounts for correspondent banks from over 100 countries and regions. It has established a market-leading comprehensive financial service platform and provided a full-fledged offering of financial services to foreign invested enterprises and “Going Global” companies. The Bank’s Qualified Foreign Institutional Investors (“**QFII**”) services continued to grow in terms of customer base and scale of assets under custody, maintaining a leading position among its Chinese peers. The Bank increased cooperation with overseas non-bank financial institutions and signed cooperation agreements with institutions including ASX Limited, Deutsche Börse AG, London Stock Exchange Group and Luxembourg Stock Exchange. In 2014, the Bank continued to lead the market in terms of financial institutions customer coverage, foreign exchange deposits from financial institutions, B-share clearing volume, and incoming settlement business volume directed to the Bank by its overseas correspondent banks. Meanwhile, its market share in the third-party custodian business and insurance agency business continued to grow.

SME Finance

In 2014, the Bank continued to optimise its business models to support micro, small and medium-sized enterprises. Through active development of inclusive finance, the Bank increased financial support and products development for SME customers. It continually diversified product functions and service channels to enable increased online and mobile functionality and make its services more accessible, serving SME customers 24x7. It introduced innovations in the BOC global SME investment service platform to help Chinese SMEs utilise advanced foreign technologies and management experience and enhance their technological capabilities for production and competitiveness of products. Efficient business approval, convenient online financing and the Bank’s diversified products system have improved SME customers’ experience. In addition, the Bank strengthened its risk and compliance management across its operations, enhanced its asset quality early warning mechanism, and sought to increase its ability to rapidly identify and effectively mitigate credit risk.

In 2014, the Bank strengthened support to SMEs, and designed differentiated, multi-layered customer service models according to operational characteristics of medium, small and micro-sized enterprises. To facilitate the expansion of the customer base of medium-sized enterprises, the Bank established a customer-centred and market-leading financial service framework, based on the optimisation of the credit approval mechanism. In addition, the Bank further upgraded the service model of “BOC Credit Factory”, which covered all the domestic branches and was gradually extended to overseas institutions with mature conditions.

Adapting to the development trend of online finance, the Bank introduced “BOC Wang Luo Tong Bao”, and created the “one point access, whole-process response” online service model for small-sized enterprises, thus driving the automation and mobile upgrading of the “BOC Credit Factory”. The Bank also introduced a micro-finance business model, and established a comprehensive service system for micro enterprises through standardised service procedures, advanced credit management technology, parameter-based pricing models, and embedded integrated sales management. Taking full advantage of the diversified financial services platform, the Bank provided customers with a package of financial services, including but not limited to commercial banking, investment banking, bonds and insurance. “BOC Credit Factory” business model won the 2013 “Commendation Award for Brand Building Initiative in China” awarded by The Asian Banker.

As at the end of 2014, the Bank’s outstanding loans to small and micro-sized enterprises¹ amounted to RMB1,038.2 billion, representing an increase of RMB145.5 billion or 16.30% compared with the prior year-end. The number of credit customers under the “BOC Credit Factory” business model exceeded 60,000, an increase of 9.65% compared with the prior year-end, and the credit balance exceeded RMB350.0 billion, an increase of 17.0% compared with the prior year-end.

Investment Banking and Asset Management Business

The Bank continues to develop investment banking and asset management products, enhancing financial service capabilities. It established a new channel of onshore bond financing for overseas non-financial enterprises, registered RMB5.0 billion of debt financing instruments for Daimler AG (i.e. “**Panda**

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

Bonds”), in the PRC interbank market, and completed two rounds of bond issuance of RMB2 billion thereunder. The Bank enhanced its offshore bond underwriting capabilities, and participated in underwriting of overseas RMB and USD bonds for a number of medium and large-sized enterprises, ranking first among Chinese peers in the market share of offshore RMB bond offerings. In addition, the bank expanded its professional financial advisory business, enhanced integrated services delivery capabilities, and actively promoted diversified financing solutions. It provided diversified consulting services and customised products to corporate clients, and satisfied the funding demands of large-sized clients by designing structured and integrated solutions and improved fund operation efficiency.

The Bank has been committed to strengthening its centralised management and risk control of its wealth management business. For wealth management products with non-standard underlying assets, internal regulations and procedures have been established to enhance risk control, ensure full compliance and promote sound development. In addition, the Bank continues to promote innovation and differentiation in services, through extending its product range, customising products to target customers, and tailoring products to specific distribution channels. It launched “BOC Hui Zeng”, an innovative foreign currency-denominated product series and improved “Wealth Management Night Market” function, which offered customers flexibility in purchasing products outside regular working hours. The capability of product innovation is steadily improved. In 2014, the Bank cumulatively issued over 6,191 wealth management products with a total amount of RMB7,389.470 billion, an increase of 6.63% compared with the prior year.

The Bank continues to promote assets-backed securitisation business. It further adjusted the structure of existing assets, extended the management tools for assets and capital, and pushed forward the transformation of operational practice. In 2014, it successfully issued two credit asset-backed securities in the interbank market, with a total scale of RMB12.713 billion.

The Bank actively explores development opportunities in capital markets, promotes financial advisory services, offers personalised financing solutions and employs funds in external markets to satisfy customers’ diversified financing demands. The Bank stepped up its efforts in product innovation, launched an advisory service designed for the “Going Global” clients and issued an asset management product with Fund Companies. To further enrich the market-based financing product lines in investment banking, the Bank cooperated with Shanghai Stock Exchange and Shenzhen Stock Exchange, created new business model for wealth management investment. Meanwhile, the investment banking products have successively supported the transformation of the corporate client structure by focusing on large-sized enterprises’ demand for credit. The Bank was awarded “Best Bank in Investment Banking”, “Best Bank in Cross-Border Financing”, “Best Bank in M&A Advisory” and “Best Asset Management Project Innovation” by *Securities Times*.

Pension Business

In an effort to support the development of the national social security system construction, the Bank continuously strives to enrich its pension-related product offerings and improve its service system functionality to increase customer satisfaction. The Bank provides comprehensive pension services in the fields of corporate annuity, occupational annuity, social security-related services, employee welfare plans and pension asset management agency.

As at 31 December 2014, the total number of individual pension accounts reached 3.0684 million and custody funds amounted to RMB99.552 billion, an increase of 0.6369 million accounts or 26.19% and RMB26.605 billion or 36.47% respectively compared with the prior year-end, serving more than 9,500 clients.

Personal Banking Business

The Bank continues to accelerate personal banking product innovation and integration, improve customer service, and enhance customer experience. As a result, the Bank’s personal banking business performance grew rapidly and market competitiveness improved steadily. In 2014, the Bank’s domestic personal banking business realised an operating income of RMB112.960 billion, an increase of RMB5.849 billion or 5.46% compared with the prior year.

Personal Deposits

In 2014, the Bank enhanced its coordinated marketing efforts for corporate banking and personal banking, aiming to reach customers at the source of their income streams by vigorously expanding fundamental strategic businesses such as payroll disbursements agency and agency of collection and payment. The

Bank stepped up product innovation and launched personal “master accounts”, which provided customers with one-stop financial and value-added services including account management, comprehensive inquiry, fund pooling and smart time deposit. As at 31 December 2014, the Bank’s domestic RMB-denominated personal deposits totalled RMB3,688.329 billion, an increase of RMB179.532 billion or 5.12% compared with the prior year-end. The Bank’s domestic foreign currency denominated personal deposits totalled USD32.460 billion, and its relevant market share continues to lead its peers in the PRC.

In 2014, the Bank promoted the development of strategic basic business such as salary payment agency and payment agency, improved the level of differentiated services for customers, strengthened personal accounts product innovation, optimised the function of personal accounts, and provided customers with high quality and convenient financial services. The Bank launched new products such as personal fixed deposits re-deposit by agreement, personal transfer account by appointment, personal joint account and “Personal Zhinengtong” deposit, providing integrated financial services for customers.

Personal Loans

The Bank continuously improves the structure of its personal loan business. It has implemented a differentiated housing credit policy and actively developed personal housing loan business, primarily supporting first-time home ownership mortgages, all within appropriate risk control constraints. The Bank also supports economic growth, leading to steady development of its personal business loans business. The Bank promotes personal consumption loans products and fosters new business growth. The Bank continues to enhance its personal loan systems and channel development, and has actively developed an electronic channel for personal loans, leveraging the Group’s integrated global business resources. The Bank maintains a leading market position in the PRC in terms of personal auto loans and sponsored student loans markets.

Wealth Management and Private Banking

In 2014, the Bank continued to improve service for its middle and high-end individual customers and enhance private banking service capabilities. It strengthened channel development for middle and high-end individual customers and scaled up its wealth management service coverage. It deepened its “Family Office” service offering to include cross-border family trust services, and introduced the “BOC Private Banking Prestigious Loan” brand, an integrated and exclusive financial service offering which covers spending, operations, and collateral financing. Also, the Bank continued to organise “BOC Private Banking Prestigious Activities” events focused on charity endowments and elite education, inviting customers to join the Bank in fulfilling social responsibilities. In addition, the Bank continued to increase its professional research efforts to further develop exclusive products, drive forward innovation in investment products and enhance the Bank’s asset allocation capabilities to serve high net-worth clients. As at 31 December 2014, the Bank has established 6,809 wealth management centres, 280 prestigious wealth management centres and 34 private banking centres in mainland China. The number of private banking customers and related financial assets grew 23.33% and 26.32% respectively compared with the prior year-end.

In 2014, the Bank continuously improved its service platform and developed the scope of its investment products and value-added services to meet customers’ wealth management needs. The Bank accelerated its overseas wealth management business by strengthening collaboration among its domestic and international operations. The Bank also won “Best Wealth Management Brand in China” by *Money Weekly*.

Leveraging on the Group’s internationalisation and integrated global business resources, the Bank developed its private banking business. The Bank launched a cross-border assets allocation service named “Parallel Wealth Management”, providing financial and value-added services including but not limited to overseas investment, real estate investment and children’s overseas education. As at the end of 2014, the number of the Group’s private banking clients exceeded 74,000 and financial assets under management grew to over RMB720.0 billion. In 2014, the Bank was recognised as the “Most Satisfactory Financial Service Provider for Studying Abroad” by *China Daily* and the “2014 Most Competitive Wealth Management Institution” by China Finance Billboard of HEXUN.COM.

Bank Card Business

In 2014, the Bank pushed forward credit card product innovation. It designed the “BOC Great Wall International Zhuo Jun Credit Cards” for international students and developed the “BOC-Air China Phoenix Miles Credit Cards (Platinum)” for business travellers, thereby offering a full spectrum of

products to meet the needs of corporate executives, business travel, frequent flyers and overseas students. With the theme of “Enjoy the World with a BOC Credit Card”, a series of marketing activities were launched in an effort to develop a first-choice bank card brand for overseas consumer purchases. The Bank promoted the multifaceted development of its consumer financial products, including the launch of the “Yi Da Qian” series, which serves the diversified requirements of individual consumers purchasing on unsecured credit. In addition, the Bank promoted online payment and customised virtual payment, introduced the industry-leading “BOC Acquiring MPOS” product, which provided merchants with a smart payment acquiring service via a mobile platform, brought in an online acquiring service that can process payments on foreign cards across multiple currencies, and improved its WeChat, microblog and app-based mobile interactive service models.

The Bank continued to drive forward debit card innovation and the cross-sector application of its financial IC card product. It launched various new products to fully meet individual customers’ needs for payment settlement, consumer purchases, and wealth management, including multi-currency UnionPay cards and payroll cards. The Bank also made efforts to expand the cross-sector application of financial IC card products, now covering nearly 20 industries. In addition, the Bank further expanded coverage of its internet-based payment services and strengthened business cooperation with third parties in the fields of mobile payment and express payment. The Bank continuously promoted the establishment of financial service systems related to people’s welfare, actively supported the building of the social security system by participating in more than 250 social security card projects in 30 provinces of China, and promoted the application of cards in the receivables and payments of social security. Moreover, the Bank issued “Hospital Express Great Wall Health Card” and “Resident Health Card”, realised “All-in-One Card” functions at numerous cooperated hospitals nationwide, providing cardholders with mobile phone access to hospital registration. The Bank also actively promoted the construction of its overseas debit card system, and encouraged overseas institutions to issue UnionPay standard dual-currency (RMB and local currency) debit cards, Visa and MasterCard single currency debit cards. As at 31 December 2014, 15 overseas institutions of the Bank have issued debit card products.

In 2013, the Bank strived to build the personal cross-border financial brand of bank card business, and introduced the BOC Great Wall All Currency Credit Cards, which was the exclusive cross-border payment product. The Bank promoted featured cross-border payment products such as the BOC Great Wall Traveller’s Cards for Hong Kong, Macau and Taiwan and Infinite Credit Cards, and launched the products supporting all the international card organisations’ e-commerce trading activities. The Bank diversified the overseas credit card product structure, and launched characteristic cards products like Visa Infinite Cards and Visa Wealth Cards through its Macau Branch, China Travel Mate Credit Cards through its Singapore Branch, and BOC Foody Mart Co-Branded Credit Cards through its Canada subsidiary. The Bank explored the new development models for its mobile financial business. The Bank took initiative in carrying out NFC mobile payment products and Flash Mini Cards, promoted online payment and customised virtual payment, and established the WeChat service platform, so as to provide customers with the new mobile interaction experiences. The Bank continued to optimise the key business processes, diversified online application channels including online banking, mobile phone, WeChat and call centres, in order to enhance the financial service efficiency.

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

	<i>Unit: millions card</i>		
	As at 31 December		
	2014	2013	2012
Cumulative number of debit cards issued	361.9304	302.5888	243.5021
Cumulative number of credit cards issued	47.8694	41.8994	36.2203
Cumulative number of social security cards with financial functions issued	60.6907	42.1675	20.7030

Unit: RMB billion

	Year ended 31 December		
	2014	2013	2012
Transaction amount of debit cards	2,124.041	1,862.530	1,319.567
Transaction amount of credit cards	1,338.230	1,020.215	710.934
RMB card merchant acquiring transaction amount	3,520.376	3,189.640	2,433.119
Foreign currency card merchant acquiring transaction amount	28.431	25.535	26.337

2 Financial Market Business

Closely tracking financial market dynamics and adapting to trends in interest rate and exchange rate liberalisation and RMB internationalisation, the Bank continued to streamline its business structure and actively participated in financial market innovation. By leveraging its professional advantages, the Bank improved its capabilities in asset management, market financing, trading, custody service, investment performance and risk control. By successfully implementing its Financial Markets Business Integration System, the Bank further enhanced its business development capability and risk control level. The financial markets business of the Bank continued to develop in a sustainable, sound and steady manner.

Investments Business

The Bank continues to optimise the structure of its RMB and foreign currency-denominated investments and rationally manage portfolio durations, further increasing return on investment. It has improved mechanisms for investment assessment, decision-making and risk control, enhanced its research and analysis capabilities, and has continuously improved its professional capacities in investment operations. Moreover, the Bank has taken advantage of international bond market trends and has optimised its foreign currency-denominated portfolio. It further promoted centralised operations and decision-making regarding bonds of overseas institutions to strengthen the Group's uniform bond investments management. The Bank was also actively involved in market innovations relating to interbank certificates of deposit, asset securitisations, when-issued Treasury bonds trading, and Treasury-bond futures.

Trading Business

In 2014, the Bank continuously strengthened innovation in its trading products, optimised product functionality and promoted its trading business. It successfully completed the first New Zealand Dollar ("NZD") against RMB and the first British Pound ("GBP") against RMB direct deals in the interbank market, and introduced the cash exchange service for Brazilian Real ("BRL") against RMB. It introduced a personal financial options trading application and an online banking transaction platform and enhanced customer experience with extended trading hours. It led the banking industry in the PRC by offering its customers Polish Zloty ("PLN") and Malaysian Ringgit ("MYR") forward hedging instruments. In addition, the Bank provided the first bulk commodity hedging service, which was USD-denominated but settled in RMB in the China (Shanghai) Pilot Free Trade Zone. The Bank continued to play a leading role in gold trading on the Shanghai Gold Exchange and its brokerage volumes for individual customers grew rapidly. As at 31 December 2014, the Bank held the largest market share in spot/forward trading volume of foreign exchange against RMB for customers. It ranked second in the market of RMB-denominated bond trading volume and also held a leading market position in the PRC in terms of both total gold trading volume and proprietary gold trading volume on the Shanghai Gold Exchange.

In 2014, the Bank continuously optimised its trading product functions and introduced foreign currency/RMB exchange products such as "Par Forward FX", "Dual-Currency Forwards" and "Hui Li Bao". As an active player in RMB internationalisation, the Bank diversified the offerings of its offshore RMB trading desk to cover spot/forward exchange, swap, NDF and options on major currencies including the U.S. dollar, Euro, Japanese yen, Hong Kong dollar, Pound sterling, Canadian dollar, Swiss franc and Australian dollar against RMB. It successfully completed the first RMB/AUD direct deal in the inter-bank market. Moreover, the Bank enhanced its quotations service for emerging market currencies by introducing spot rate for Malaysian ringgit, cash exchange rate for Indonesian rupiah and cash exchange rate for Kazakhstani tenge.

Client Business

In 2014, the Bank leveraged the Group's diversified business advantages and strengthened research and development in its asset management products. It introduced a series of "BOC Zhihui" products to satisfy various client wealth management needs. To expand financing channels for SMEs and serve the growth of real economy, the Bank underwrote SME Collective Notes II (SMECNII) for SMEs. It also built an overseas bond underwriting platform and acted as the lead underwriter or global coordinator assisting domestic large and medium-sized enterprises in offshore bonds offerings. By leveraging the strengths in agency commodity hedging service, the Bank helped enterprises to mitigate the risk from commodity price fluctuation, successfully introduced OTC hedging services for agricultural products, and conducted soybean and palm oil OTC hedging transactions.

Custody Business

The Bank has deepened its cooperative relationship with custodian clients through product and service innovation. It continues to optimise the structure of its fund custodian products and has made greater efforts to target money market funds and funds distributed online. The Bank has stepped up its promotion of asset custodian services for insurance companies, securities companies, subsidiaries of fund companies, and managers of securitised assets. It has also launched innovative custodian products, such as deposit investment schemes for insurance companies, asset management products for futures companies, and housing provident funds. The Bank has made great efforts towards developing its cross-border custody business, including services for RQFIIs, which in turn drove the growth of its overseas custody business. It has also enhanced its operational capabilities by upgrading the global custody system and improving the functionality of service modules. The Bank improved clients' online service experience by launching the "Shenzhen Securities Communication" electronic instruction system and became the first and sole custodian bank to be connected directly to the system of China Government Securities Depository Trust & Clearing Co. Ltd., enhancing online custodian banking functions. As at 31 December 2014, the Bank's total custodian assets amounted to approximately RMB6.4 trillion, maintaining its industry-leading position. The Bank was awarded "2014 Best RQFII Custodian Bank" by Hong Kong's *The Asset*.

Village Bank

BOC Fullerton Community Banks are committed to providing modern financial services to farmers, small and micro-sized enterprises, individual merchants and the working class, and promoting the construction of China's New Countryside. In this way, they actively implement the nation's policy on agriculture, farmers and rural areas, with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". As at 31 December 2014, the Bank has established 57 BOC Fullerton Community Banks and 33 sub-branches, an increase of 7 banks and 17 sub-branches compared to the prior year-end. BOC Fullerton Community Banks became the largest domestic village bank in asset and business scope.

As at 31 December 2014, the outstanding deposits of these banks reached RMB10.098 billion, an increase of 69.60% compared with the prior year-end. The balance of loans amounted to RMB10.110 billion, an increase of 108.30% compared with the prior year-end. The NPL ratio was 0.87%. The number of customers was approximately 426,000, an increase of 132% compared with the prior year-end.

At the end of 2013, the outstanding deposits of these banks reached RMB5.954 billion, an increase of 161% compared with end of 2012. The balance of loans amounted to RMB4.853 billion, an increase of 145% compared with end of 2012. The NPL ratio was 0.59%. The customer number of these banks was approximately 184,000, triple that of end of 2012, and customer satisfaction levels reached 97%.

These banks achieved six countrywide awards including "The 2013 Annual Outstanding Rural Bank" by the *Economic Observer*.

3 Overseas Commercial Banking Business

In 2014, seizing the market opportunities arising from RMB internationalisation and the efforts of China's "Going Global" enterprises, the Bank stepped up the integrated development of its domestic and overseas operations, resulting in continued improvement to the Bank's global service capabilities and market competitiveness.

The Bank has achieved balanced growth and solid operating results in its overseas commercial banking business. The Group has steadily expanded its overseas network to offer a wider range of services and coverage around the globe. As at 31 December 2014, the Group had 628 overseas institutions, covering Hong Kong, Macau, Taiwan and some other countries. In 2013, the Lisbon branch, the first operating institution established by a Chinese bank in Portugal, was opened for business. The Ulaanbaatar Representative Office, the first standing institution established by a Chinese bank in Mongolia, was opened for business. In addition, the Group set up nine new sub-branches in Macau, Malaysia, Indonesia, Germany, Italy, Russia and Canada.

The Group has promoted the integrated development of its domestic and overseas businesses and further enhanced its competitiveness in differentiated services. The Group's overseas institutions were able to take advantage of the Groups' strengths to enhance business performance, strengthen integrated platforms, and coordinate cross-border projects, thereby providing high-quality financial services to both "Going Global" customers and local customers in China. Moreover, the Group further developed its cross-border personal banking business by introducing cross-border financial products specially tailored for customer groups such as outbound tourists, students studying overseas, investment migrants, expatriates working overseas and foreigners living in China. It also introduced the one-stop offshore wealth management service "Nan Yang Ju Fu" in developing its overseas wealth management business.

Bank of China (Hong Kong) Limited ("BOCHK")

In 2014, BOCHK adhered to its sustainable growth strategy and recorded satisfactory performance in its core businesses. Leveraging on its strong franchise and increasing collaboration within the Group, BOCHK achieved continued growth in core businesses. Meanwhile, it enhanced its capital management and maintained stringent risk management principles.

Achieving solid growth in core businesses and continuous improvement in asset structure, in 2014, BOCHK's deposits and loans grew steadily. Leveraging its competitive advantage as the Asia-Pacific Syndicated Loan Centre of the Group, BOCHK recorded growth in its syndicated loan business. It remained the market leader in new residential mortgage loans in Hong Kong. In the UnionPay card business, BOCHK maintained its leadership in Hong Kong both for merchant acquiring business and for card issuance. At the same time, it broadened its fund and insurance product offerings to meet customers' investment needs. It continued to improve its asset structure and manage its capital prudently to support sustainable business growth. In 2013, the launch of new services, including "Securities Club" and "Family Securities Accounts", enhanced the Group's securities brokerage business. BOCHK also launched BOCHK e-Wallet – Mobile Payment Service, bringing an innovative and convenient mobile payment experience to customers by using their smartphones. Both the number of customers and business volume of private banking, asset management, cash management and custody services continued to expand.

Leveraging on its franchise to increase offshore RMB business, BOCHK continued to improve and enhance its competitive edge in RMB business. It reinforced its market position in RMB deposits and RMB insurance business in Hong Kong. It also developed closer relationships with overseas financial institutions and central banks. Efforts have been made to enhance the RMB clearing capability of the Group's overseas offices, reinforcing the Group's leading position in the offshore RMB clearing business.

Deepening collaboration within the Group to expand cross-border business, BOCHK worked closely with other institutions of the Group in the areas of RMB clearing service, customer marketing and product offerings. Leveraging the Group's global service capabilities, BOCHK reached out to key customers in major industries and successfully expanded its customer base. Seizing opportunities arising from the China (Shanghai) Pilot Free Trade Zone, BOCHK helped clients set up cross-border funding pools and underwrote cross-border RMB loans. At the same time, a two-way information exchange and business referral channel was established within the Group, including a regional cooperation mechanism with the Group's institutions in Guangdong, Hong Kong and Macau, providing comprehensive financial services to customers in those regions.

BOCHK has optimised its business platforms to enhance customer experience. BOCHK enhanced its "Business Integrated Account" to provide a diversified product range and business privileges to enhance its overall capacity serving SME customers. It improved its cash management service by introducing a same-day online payroll service. BOCHK was honoured for the seventh consecutive year with the "Best SME's Partner Award" by the Hong Kong General Chamber of Small and Medium Business. It was also awarded the "Hong Kong Domestic Cash Management Bank of the Year" by Asian Banking and Finance.

Large-scale marketing programmes were launched to enhance brand awareness of BOCHK's "Wealth Management Service". In addition, promotions were rolled out targeting potential customers to boost the customer base of "Enrich Banking Service". BOCHK also optimised its private banking business platform and arranged various exclusive activities to foster customer relationship; as a result, it achieved growth in both the number of private banking customers and the value of assets under management.

BOCHK maintained a leading position in offshore RMB business and continuously improved its overall competitiveness. BOCHK secured its market position in RMB deposits and RMB insurance business in Hong Kong. It completed the first CNH/USD cross-currency swap transaction using the CNH Hong Kong Interbank Offered Rate ("CNH HIBOR") as the pricing benchmark. It acted as the arranger for the issuance of the first certificate of deposit with the CNH HIBOR as the benchmark rate, offering the market a wider choice of floating rate debt instruments. BOCHK has been designated as the market maker of the USD/CNH futures for the Chicago Mercantile Exchange Group and Hong Kong Futures Exchange. It partnered with FTSE Group to develop the new "FTSE-BOCHK Offshore RMB Bond Index Series" to provide investors with an industry standard benchmark. BOCHK and UnionPay International pioneered the RMB settlement service of UnionPay Card for merchants in Hong Kong. BOCHK also further improved its RMB clearing services by extending service hours for RMB clearing function and introducing RMB time deposit service.

BOCHK focuses on enhancing customer experience and providing differentiated services. It further improved service efficiencies to customers through its corporate services centre. It optimised its corporate internet banking platform. The brand awareness of wealth management among personal customers was strengthened. It introduced the brand new "Enrich Banking" service and re-packaged the "i-Free Banking" services, providing more comprehensive and convenient banking products and services to customers through various channels.

In 2014, BOCHK was named the "Strongest Bank 2014 in Asia Pacific and Hong Kong" by *The Asian Banker* and received for the seventh consecutive year the "Best SME's Partner Award" from the *Hong Kong General Chamber of Small and Medium Business*. In 2013, BOCHK was named the "Best Offshore RMB Manager" by *Asia Asset Management* for the second consecutive year. It was presented with the "Achievement Award for Best Cash Management Bank in Hong Kong" from *The Asian Banker* and has been named by *The Banker* "the Bank of the Year in Hong Kong 2013".

4 Diversified Business Platform

The Group was able to utilise its diversified business platform. Subsidiaries of the Group adopt the Group's overall strategy to focus on their specialised business areas, establish business linkage, promote cross-selling and product innovation to enhance the synergies across the Group and provide comprehensive and quality financial services to the customers.

Investment Banking

BOC International

The Bank conducts its investment banking business through BOC International. BOCI maintained sound development in its security financing business and financial advisory business, steadily expanded its leveraged and structured financing business and continued to be one of the important players in bond underwriting business. BOCI's securities brokerage business recorded strong development with its market share remaining stable. The financial institutions partnerships business was developed in an orderly way, the management services relating to the employee stock ownership plans for listed companies maintained a leading position in the market, and its equity derivatives business developed rapidly. BOCI actively explored private banking emerging markets and its assets under management steadily increased. The global commodities business made progress with the establishment of its global platforms, posting significant growth and improvements and winning new customers. The private equity business realised solid growth. BOCI-Prudential Asset Management, the asset management arm of BOCI, maintained its leading position in the market in terms of total assets under management, number of participants and asset value of the "Mandatory Provident Fund Schemes". In 2014, BOCI was awarded the "Best Chinese DCM House in Hong Kong 2014" by *FinanceAsia* and the "Outstanding Private Bank – Wealth Management Award" and the "Outstanding Broker – Customer Marketing Award" by *Metro Finance*.

As at 31 December 2014, BOC International's total assets and net assets amounted to HKD100.059 billion and HKD13.205 billion, respectively, and achieved an annual profit after tax of HKD2.370 billion. BOC International was ranked in the top tier in multiple business sectors among all Hong Kong-based Chinese investment banks, and maintained strong profitability.

BOC International continued to maintain a leading position in the equity underwriting markets. In 2014, it completed 14 IPOs and held a leading position in the Hong Kong IPO market by both number of deal and market share. BOC International also performed well in its bond underwriting business in 2014. It completed 62 bond offerings, raising a total of USD53.8 billion, an increase of 59.0% from 2013. BOC International played a leading role in the Hong Kong Chinese corporate offshore investment grade bond underwriting market in 2013.

BOC International maintained a leading position in stock brokerage market as one of the biggest retail brokerage dealers. Its private banking business recorded steady growth. BOC International private banking business also successfully expanded its offshore customer base in East Asia, Europe, Middle East and India, offering them a diversified and full range of private banking business services.

As at 31 December 2014, BOCI-Prudential Asset Management Ltd., BOC International's asset management company, had increased its total assets under management by 12.0% compared to the prior year-end.

BOC International's private equity business made steady headway. China Culture Industrial Investment Fund, which was initiated by BOC International, achieved strong performance. Bohai Industrial Investment Fund and BOCI Infrastructure Fund also registered steady development. BOC International's global commodities business accelerated its global expansion and built a refined products trading team in Singapore to provide an OTC ordering and trading service to clients. The physical trading business began to realise a globalised operational scale, with both client base and trading volumes continuously growing.

BOC International won a range of awards in 2014, including the "Best China Bond House" from IFR Asia, the "2014 Best Chinese DCM House in Hong Kong" from *FinanceAsia*, the "Best Overall Offshore RMB Products/Services" from *AsiaMoney*, the "Best Small-cap Equity House", the "Best Dim Sum Bond House" and the "Rising Star – Best Private Bank Hong Kong" from *The Asset*, the "Top Fund Awards 2014 (Hong Kong) – Mutual Funds, Global Large-Cap Blend Equity, Best in Class" from *Bloomberg Business week (Chinese edition)*, and the "The Most Recognized Broker in Chinese mainland and Hong Kong" from *The Hong Kong Commercial Daily*.

BOCI China

The Bank operates its domestic securities-related businesses through BOCI China. BOCI China continued to reinforce its traditional businesses with increased business volume such as equity financing and debt financing, while actively promoting the transformation of its brokerage business. Preparations for establishing 21 light brokerage branches were completed. Its investment management capability was strengthened and the asset management business registered steady development. New services such as asset securitisation, "New OTC Board", and privately raised corporate bonds for SMEs expanded rapidly, while innovative businesses such as online account opening, securities margin trading, and stock pledge repo transactions all made strong progress. Its revenue structure was also optimised. In 2014, BOCI China completed seven equity financing programmes, eleven debt financing programmes, and won three new QFII clients. The revenue of the asset management business and of innovative business increased by 49% and 122% respectively compared to the prior year-end.

At the end of 2014, BOCI China had total assets of RMB36.672 billion and net assets of RMB7.981 billion. In 2014, BOCI China realised an annual profit after tax of RMB948 million.

BOCI China accelerated the transformation of its investment banking, asset management, brokerage and other services. It continued to strengthen equity debt financing and other traditional investment banking business and actively expanded asset securitisation, mergers & acquisitions and private debt issuance for small and medium-sized enterprises. It was also among the first batch of institutions to obtain a Class A Certified Financial Advisor broker rating from China Securities Regulatory Commission. In 2013, its brokerage revenue increased by 42% compared to the prior year. In 2014, the asset management business expanded, with assets under management amounting to RMB331.1 billion, an increase of 164% compared to the prior year-end. The institutional business also recorded significant growth with 10 new QFII clients compared to the prior year-end.

To support its strategic transition from principal investment to fund management, BOCI China enhanced the efficiency of its corporate governance by optimising business structure processes, effectively promoting capital operation, and successfully integrating the primary and secondary market sales sector and IT sector. BOCI China significantly improved its capital strength by successfully completing a capital raising of RMB2.3 billion through bringing in seven new investors with superior qualifications. BOCI China continued to push forward business and product innovation and optimised its revenue structure.

BOCI China was awarded the “Best Securities Firm for Underwriting Sponsor Business” by the *21st Century Business Herald*; the “Best Private Placement Bond Underwriter”, “Best Financial Consultant”, “Best Refinancing Project (Zhejiang Daily Media)” by *Securities Times*; the “Best Value Discovery Team” by *Shanghai Securities News*; the “Best Asset Management Securities Company”, “Best Equity Asset Management Product (China Red Stable Value Fund)”, “Best Annual Private Placement Fund (China Red Stable Value Fund)” by *Securities Times*; the “Excellent Asset Management Institution in China Bond Market” by China Central Depository & Clearing Co. Ltd; and the “Golden Bull Asset Management Award” by *China Securities Journal*.

BOCIM

The Bank operates its fund management business in the Chinese mainland through BOCIM. BOCIM managed 40 publicly-offered funds and several discretionary products and actively explored investment advisory business. BOCIM achieved a strong investment performance and was awarded the “Golden Bull Fund Investment Manager”, the “Golden Fund TOP Fund Manager” and the “Five-year Sustainable Return Star Fund”. Several BOCIM funds were awarded five stars and the “Annual Fund Prizes” by Morningstar.

As at 31 December 2014, BOCIM’s total assets reached RMB1.325 billion and net assets reached RMB1.039 billion. In 2014, its profit after tax reached RMB379 million. BOCIM promoted its brand image and reputation based on investment performance. As at 31 December 2014, BOCIM’s assets under management for publicly offered funds reached RMB160.9 billion, representing an increase of 32% from 31 December 2013. BOCIM’s market ranking is continuing to rise. In 2013, BOCIM was awarded “Top 10 Golden Bull Investment Managers” and “Golden Bull Bond Fund Investment Managers” by *China Securities Journal* (the latter for the second consecutive year), “Five-year Sustainable Return Star Fund” by *Securities Times* and “Golden Fund • Top Fund Managers” by *Shanghai Securities News*.

Insurance

BOCG Insurance

The Group operates its insurance business within Hong Kong through BOCG Insurance. In 2014, BOCG Insurance achieved gross written premiums of HKD1.843 billion. BOCG Insurance continuously enhanced cooperation with agent banks to generate synergies and sought to deepen the collaboration within the Group so as to play a role in providing diversified services. It increased market penetration by actively exploring the Group’s network and customer resources in Hong Kong, creating innovative sales channels, and leveraging on the professional advantages of each entity of the Group, thus broadening the diversified sales channels. BOCG Insurance cooperated with BOC Credit Card to develop product-mix sales and rapidly expanded its reinsurance business with BOC Insurance in an effort to broaden diversified promotion channels. BOCG Insurance proactively builds up its professional brand image, improving its post-insurance management scheme and actively undertaking its corporate social responsibilities.

As at 31 December 2014, BOCG Insurance owned three branches and one business centre in Hong Kong and reported total assets of HKD7.442 billion and net assets of HKD3.897 billion. It has been at the forefront of Hong Kong general insurance market, and achieved gross written premiums of HKD1.843 billion and profits after tax of HKD104 million as at 31 December 2014.

BOCG Insurance not only actively developed its business, but also continued to improve its underwriting efficiency and develop innovative business lines such as hull insurance, aircraft insurance, and pecuniary loss insurance. For the first time, BOCG Insurance also successfully underwrote insurance for satellites currently in orbit by way of reinsurance. During the year of 2014, the scale of high-quality insurance business grew rapidly and BOCG Insurance achieved gross premium income of HKD1.018 billion.

BOCG Insurance’s bancassurance cooperation has been constantly enhanced and its position in the market has been consolidated via exploring the Group’s network and customer resources, creating innovative sales channels and cooperating with banks and large brokerages. BOCG Insurance also cooperated with Chinese insurance corporations by promoting property and casualty insurance, incentive plans and product-mix sales.

BOCG Insurance has actively explored new sales channels and fostered product innovation. Cooperative relationships with various insurance companies in the Chinese mainland, Hong Kong and Macau have been established and steady business development has been achieved. BOCG Insurance has also been active in expanding its overseas business, broadening its reinsurance network and developing new customer bases. In 2013, BOCG Insurance began to promote its e-platform sales channel by releasing mobile apps, launching a new version of the official website, and developing “e” Travel Comprehensive Insurance, the first product sold via its mobile platform. BOCG Insurance further enhanced features of its existing products including “Universal Travel Insurance” and “BOC Medical” based on the market demands research. It also developed new products, such as products for residents of the Chinese mainland visiting Hong Kong, high-end medical insurance products for immigrant investors, trade credit insurance products, credit card insurance products, and mortgage insurance products,.

BOCG Life

The Group operates its life insurance business in Hong Kong through BOCG Life. In 2014, BOCG Life recorded a gross premium income of HKD16.757 billion. It maintained its leading position in the Hong Kong RMB life insurance market. BOCG Life continued its efforts in product optimisation and innovation. The newly launched “Plenteous Life Coupon Plan” provided customers with both life protection coverage and savings. Various marketing and promotional offers were launched to enhance customer experience.

In 2014, BOCG Life’s gross premium income was HKD16.757 billion. It maintained its leading position in the Hong Kong RMB life insurance market.

BOCG Life continued to optimise its product offerings and enhance its marketing and distribution channels, driving growth in gross premium income. Products such as “Income-Growth Annuity Insurance Plan”, “RMB Universal Life Insurance Plan” and “Target 5 Years Insurance Plan Series”, were offered to cater for diverse needs of customers. The newly launched HKD and USD “UltiChoice Universal Life Insurance Plan” provides customers with both financial planning and life-long protection. BOCG Life has developed its multi-distribution channels and included additional sales partners to reach a wider range of customers. New RMB products “Wealth Conquer Universal Life Insurance Plan” and “Forever Glorious Universal Life Insurance Plan” were launched and tailored for distribution through brokerage houses.

BOCG Life was awarded “Best Life Insurance Company 2014, Hong Kong” by *World Finance*, and “Outstanding Brand Award 2013 – Life Insurance Category” by *Economic Digest*. For the second consecutive year, it was granted the award of “RMB Business Outstanding Awards 2014-Outstanding Insurance Business” organised by *Metro Finance*, *Metro Finance Digital* and *Hong Kong Wen Wei Po*.

BOC Insurance

The Group operates its property insurance business in the Chinese mainland through BOC Insurance. BOC Insurance continued to expand product innovation, deepen bancassurance cooperation, and improve product competitiveness. BOC Insurance built additional insurance product distribution channels through BOC mobile banking. BOC self-service automobile insurance purchase has been offered at 26 Tier 1 and direct branches. BOC Insurance has built an insurance business module onto BOC’s “Global Service Platform for corporate banking clients” (GSP), thus improving its integrated financial services to its customers.

As at 31 December 2014, BOC Insurance recorded total assets of RMB12.024 billion and net assets of RMB4.888 billion. It realised premium income of RMB5.325 billion and profit after tax of RMB484 million.

BOC Insurance pushed forward its project to centralise operations in 2014 and improved operational efficiency and service levels through the successful launch of “mobile claim survey system” and “motor insurance mobile sales terminal”. BOC Insurance continued to develop its bancassurance business and introduced the direct-sales model of “self-service motor insurance”. BOC Insurance and the Group jointly released the “ideal home & dual-benefit” service. In 2014, it launched an insurance section to the Bank’s online banking platform and successfully introduced 19 online insurance products.

BOC Insurance continuously strengthened its product innovation and introduced a range of new products including “enterprise loan insurance E”, “personal loan insurance H” and “BOC ivy”, a series of health insurance cards. It also actively developed featured products in domestic trade credit insurance and self-employed petty loan guarantee insurance, which support the development of smaller businesses.

Investment Business

BOCG Investment

The Group is engaged in direct investment and investment management business through BOCG Investment. Its business scope includes equity investment, fund investment and management, real estate investment and management, and non-performing asset investment. BOCG Investment actively pushed forward business and product innovation, continued to optimise its business structure, further enhanced the building of its private equity project database, deepened business cooperation with other entities of the Group, enhanced cross-region business collaborations, expanded its overseas real estate investment business, strengthened post-investment management of existing projects and accelerated the exit of its mature-stage investments, thus achieving continual development of its business. BOCG Investment was awarded the “2013 Best China Private Equity Investment Institution” and the “2013 China PE/VC Institution Decade Achievement Award” by *China Venture*.

As at the end of 2014, BOCG Investment recorded total assets of HKD90.702 billion and net assets of HKD51.533 billion. In 2014, it recorded profit after tax of HKD2.505 billion.

In 2014, BOCG Investment actively promoted its business model innovation and transformation and continued to adjust its asset structure in response to an ever-changing business environment, further enhancing at all times its awareness of capital constraints, efficiencies, risks and return. Focusing on the financial, energy, consumer and healthcare sectors, BOCG Investment strengthened its private equity project database and maintained a stable business flow. BOCG Investment also intensified post-investment management, enhancing its ability to provide value-added services and value creation. In addition, BOCG Investment sought to diversify its funding sources and successfully issued a USD600 million senior note.

BOC Aviation

The Group operates its aircraft leasing business through BOC Aviation. As at 31 December 2014, BOC Aviation’s fleet comprised 230 owned aircraft and 20 managed aircraft, leased to 60 airlines in 31 countries and regions. As at 31 December 2014, BOC Aviation was one of the world’s top 5 aircraft leasing company in terms of value of owned fleet. The average age of its fleet was less than four years. In 2014, it issued its first 10-year RMB300 million offshore RMB bonds as well as USD300 million senior notes, and maintained its credit ratings of A- from Fitch and BBB from Standard & Poor’s. It was awarded “Lessor Treasury Team of the Year” and “Asian Deal of the Year” by the Euromoney publication *Airfinance Journal*.

As at 31 December 2014, BOC Aviation had total assets of USD11.4 billion with net assets of USD2.1 billion. In 2014, BOC Aviation recorded a profit after tax of USD309 million.

Since being 100% acquired by the Bank for an enterprise value of USD3.25 billion in December 2006, BOC Aviation has doubled its total assets.

BOC Aviation has become the first global aircraft lessor to access the RMB capital markets by raising RMB1.5 billion in bonds.

5 Channel Management

Outlet Development

The Bank has continuously improved its outlet-related management mechanisms and operating schemes in order to improve customer experience and increased outlet efficiency. The Bank has enhanced service regulation and simplified business procedures so as to improve customer experience at the outlet level. It has also optimised outlet deployment and improved management mechanisms so as to enhance the business development efficiency of its outlets. In addition, the Bank has diversified its product line and adjusted its personnel structure in order to increase its outlets’ overall marketing capacity. Closely monitoring changes in customer needs and consumption preferences, the Bank has explored new service modes and experimented with higher degrees of automation at outlets on a pilot basis. As at 31 December 2014, the number of the Bank’s outlets in the Chinese mainland reached 10,693, almost 2,000 of which are medium to large-sized fully functional outlets.

The Bank continued to roll out self-service facilities, innovated and enhanced self-service functions and optimised transaction operational process. It added a financial IC card interbank recharge function through ATMs and optimised ATM transaction processes and interfaces for deposits, withdrawals, transfers and other transactions. New functions of self-service facilities such as the non-contact acceptance of financial IC card, password remittances, mobile remittances and remittance packages were added to ATMs. As at 31 December 2014, the Bank had 44,594 ATMs, 26,689 self-service terminals, and 13,527 self-service banks in operation in the Chinese mainland, an increase of 9.84%, 14.31% and 5.35% respectively compared with the prior year, further enhancing its self-service capabilities.

E-Banking

In 2014, the Bank continued to diversify and improve its e-banking service channels, including online banking, mobile banking, WeChat banking, telephone banking and home banking. It continuously optimised product functions and operating processes with the aim of enhancing customer experience. The improved e-banking service provided stronger support to business development across the Bank. In 2014, the Bank's e-banking transaction volume reached RMB135.80 trillion, an increase of 23.00 per cent. compared to the prior year, maintaining a growing trend in the substitution ratio of e-banking channels for traditional outlets. The number of e-banking customers is shown in the table below:

Items	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
	<i>Unit: million</i>		
Number of Corporate Online Banking Customers	2.5990	2.2009	1.8017
Number of Personal Online Banking Customers	112.4949	101.0740	91.4236
Number of Mobile Banking Customers	64.6005	52.1262	41.8250
Number of Telephone Banking Customers	95.8276	88.8353	76.3675

In 2014, the Bank's online banking functions were further enhanced and professional service capacity steadily improved. The Bank's domestic corporate online banking function was fully upgraded, service functions were expanded significantly and basic online services were enhanced. Personal online banking service functions were constantly expanded, with multiple internet browsers now fully supported. The Bank also introduced various new products including iOS7-style mobile banking, an iPad-based corporate service client, an iPad-based private banking service and WeChat banking. The Bank comprehensively enhanced customer experience by adding new functions, streamlining the operating process and extending online banking technical support for more terminals and channels. The scope of the Bank's overseas online banking service was continuously expanded and its functions upgraded, with corporate online banking services being launched in the Middle East (Dubai). In addition, the Bank improved its overseas online banking-based debit card service and remittance service in the European Union.

The Bank continued to promote the application of pioneering technologies and an innovative service model in the field of e-finance. In 2014, it introduced online wealth management, "Financial e-Manager", hospital registration, online inquiry of social security & housing provident fund, and online payment for characteristic tourism and school bills, further extending its financial service apps offering. The Bank launched "BOC e-Shipping", the first product of its kind among Chinese banks, providing the shipping logistics industry with a full package of solutions for quick handling, foreign currency payment and credit facilities, and allowing clients to obtain a revolving credit line within one year via a single application. The Bank also launched other e-finance products such as BOC v-Wallet, e-Cashier and AA Collection, further enhancing its mobile payment product line.

The Bank's customer service centre provided seamlessly integrated services to its customers all over the world. It continued to improve its core operations, specialised management and standardised services. Across channels including phone, SMS, e-mail, fax, microblog, online service, video service and WeChat banking, the Bank sought to provide its global customers with constantly accessible and interactive services featuring voice-to-voice, text-to-text and face-to-face interaction, hence improving customer experience.

Since 2013, the Bank has been enriching and improving its online banking functions, driving a significant improvement in customer experience and product functions. It introduced new services to corporate clients, such as SME loans, express agency collection, express foreign exchange settlement, bill pool and supply chain orders financing. The Bank also provided new services through personal online banking such as social insurance, public accumulation fund, commercial insurance, saving bonds, options, precious metal accumulation and virtual debit card. The cross-channel interoperability between online banking and physical outlets was consistently strengthened, helping corporate customers to open bank accounts and online banking services through the internet, and making it possible for personal customers to enjoy a series of services without going to the bank counter, such as time deposit/demand deposit account opening, credit cards activation, loss reporting, replacement, and automatic currency exchange repayment.

The Bank extended its mobile financial services to cover many new kinds of terminals, and the service functions and usability were significantly improved. New personal online banking client applications were launched to cover iPad and Android, optimising users' experience. It also enriched the functions and simplified the operations of the mobile banking service, introducing a two-dimensional code transfer, and easier ways of sign-in and subscription.

The Bank continued to enhance its e-commerce offerings in order to satisfy customers' diverse online payment needs. Targeting personal customers, the Bank launched mobile payment applications and both WAP browsers and client applications. B2C payment and express payment via internet were also improved. Corporate customers were provided with a range of enhanced payment service, including B2B direct payment, B2B guaranteed payment, B2B agreement payment, customs duty online payment and BOC e-Commerce payment.

The Bank further extended the coverage of its overseas e-Banking services and continuously enhanced the functions of the systems. The Bank's standard overseas corporate online banking service was extended to Taiwan, and its corporate online banking service tailored for cross-border groups covered the Middle East (Dubai). Its overseas personal online banking service was also improved. New services supporting credit card and debit card were provided to overseas personal customers, navigation and operation processes were optimised, and more languages and browsers were supported.

The Bank developed the business model to expand service channels. Mobile cash withdrawal, a new business model launched and promoted by the Bank, extended the Bank's financial services to the areas beyond the reach of its physical outlets, effectively supporting its rural finance business development.

The Bank strived to improve its customer service and management to guarantee continuous, safe and efficient operation. By means of phone, SMS, e-mail, fax, microblog, online customer service, and video customer service, it is able to provide voice-to-voice, text-to-text and face-to-face service through different channels and media for clients both at home and abroad. Customers are able to enjoy seamless docking services between the Chinese mainland and overseas. In 2014, customer satisfaction level reached 98.24%.

In 2013, the Bank received various awards and honours, including "Excellent Competence e-Banking in 2013" from *China Business Journal*.

Major Contracts

Material Custody, Sub-contracts and Leases

During 2013 and 2014, the Bank did not take any significant custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements that are required to be disclosed.

Material Guarantee Business

As approved by PBOC and CBRC, the Bank's guarantee business is an off-balance-sheet item in the ordinary course of the Bank's business. The Bank operates the guarantee business in a prudent manner, formulates specific management measures, operational processes and approval procedures in accordance with the risks of the guarantee business, and carries out this business accordingly. During 2013 and 2014, save as disclosed above, the Bank did not enter into any material guarantee business that is required to be disclosed.

Purchase and Sale of Assets, and Merger and Acquisition

During 2013 and 2014, the Bank undertook no material purchase or sale of assets, or merger or acquisition.

Employees

As at 31 December 2014, the Bank had 308,128 employees. There were 284,529 employees in the Bank's operation of the Chinese mainland, of which 278,826 worked in the domestic commercial banking operations. There were 23,599 employees in the Bank's operations in Hong Kong, Macau, Taiwan and other countries. As at 31 December 2014, the Bank had incurred retirement expenses for a total of 6,183 retirees.

The following table sets forth the total number of employees by geographic distribution as at 31 December 2014:

	Number of employees	% of total
Northern China.	57,077	18.52%
Northeastern China.	26,471	8.59%
Eastern China.	93,541	30.36%
Central and Southern China.	69,662	22.61%
Western China	37,778	12.26%
Hong Kong, Macau and Taiwan.	19,185	6.23%
Other countries.	4,414	1.43%
Total	<u>308,128</u>	<u>100.00%</u>

Intellectual Property

The Bank owns various intellectual property rights including trademarks, patents, domain names, and copyrights. The Bank conducts business under the "Bank of China", "BOC", "中國銀行", "中銀", "中行" and "🏦", and other brand names and logos.

DESCRIPTION OF THE HONG KONG BRANCH

The Bank set up its branch in Hong Kong in 1917. After BOCHK Holdings became listed on the Hong Kong Stock Exchange in 2002, the Hong Kong branch of the Bank kept the full banking license and became an authorised institution under the laws and regulations of Hong Kong. The Bank of China Limited Hong Kong Branch (“**Hong Kong Branch**”) is positioned to be the offshore investment and financing platform for the Group, with a strategic goal to become the Group’s offshore platform to provide comprehensive global financial market services.

Business Activities

The Hong Kong Branch is a licensed bank in Hong Kong, with its registered office at Bank of China Tower, 1 Garden Road, Central, Hong Kong, and is currently focusing on the development of its wholesale banking business. A broad range of financial services are offered by the Hong Kong Branch to serve clients’ specific needs, including financing and lending services, bond investment and bond underwriting and subscription etc.

In addition, the Bank is an institution registered with the Securities and Futures Commission and may conduct the following regulated activities: (1) dealing in securities, (2) advising on securities, (3) advising on corporate finance and (4) asset management.

Hong Kong Regulatory Guidelines

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to HKMA. The Banking Ordinance provides that only banks, which have been granted a banking license (“**license**”) by HKMA, may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (“**licensed banks**”).

The provisions of the Banking Ordinance are implemented by HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. HKMA supervises licensed banks through, among others, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches. HKMA has the right to allow returns to be made at less frequent intervals;
- HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as HKMA may require. HKMA may also require a report by the licensed bank’s auditors (approved by HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;
- licensed banks may be required to provide information to HKMA regarding companies in which they have an aggregate of 20% or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank’s business;
- licensed banks are obliged to report to HKMA immediately of their likelihood of becoming unable to meet their obligations;
- HKMA may direct a licensed bank to appoint an auditor to report to HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as HKMA may reasonably require; and
- HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by HKMA on a regular basis.

RISK MANAGEMENT

The Bank's core risk management objective is to optimise capital allocation and maximise shareholders' interests within the context of a prudent risk appetite and in compliance with the requirements of regulatory authorities and the expectations of depositors and other interested parties. The Bank strictly maintained a moderate risk appetite and reached a balance between risk and return according to the principles of being rational, stable and prudent.

The Bank has designed a series of risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Bank regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Bank are credit risk, market risk, operational risk and liquidity risk. Market risk includes interest rate risk, currency risk, and other price risk.

Risk Management Framework

The Bank's risk management framework mainly comprises its board of directors and the risk policy committee under its board of directors, risk management and internal control committee (which is in charge of the anti-money laundering committee, securities investment and management committee and asset disposal committee), risk management unit, financial management department and other related departments. The board of directors of the Bank is responsible for approving the overall risk management strategy and risk appetite, and supervises the management in its implementation of the strategy. The management is responsible for implementing the risk management strategy, risk preferences and policies determined by the board of directors, as well as monitoring the risks arising from the Bank's business undertakings. Dedicated departments within the risk management function are responsible for the daily management of various risks, including identifying, measuring, monitoring, controlling and reporting those risks. The Bank manages the risks at the branch level through a vertical management model and manages risks at the business department level through a window management model. The Bank monitors and controls risk in its subsidiaries by delivering its risk management requirements through representatives to the subsidiaries' boards of directors and their risk policy committees.

In recent years, the Bank intensely pushed forward the integration, refinement and specialisation of its risk management function with improved comprehensive risk management system and enhanced risk control ability to prevent and mitigate risks, and promoted its risk structure.

Credit Risk Management

Credit risk is the risk that a borrower or counterparty may be unable or unwilling to meet a repayment obligation that it has entered into with the Bank. The Bank's major credit risks come from the loans, trade finance and treasury businesses.

In recent years, the Bank closely tracked the changes in the macro economy and financial markets as well as changes in regulatory requirements. It revised the guidelines for industry lending, improved its credit risk management policies, accelerated the adjustment of credit structure, restricted management of the credit process, and intensified its credit risk monitoring and analysis, with a view to fostering more proactive and forward-looking risk management.

With respect to corporate banking, the Bank increased its efforts in supervision of key industries and the adjustment of credit structure. It formulated the guidelines for industry credit granting in accordance with the government's macro-economic regulatory measures and industrial policies. It improved its portfolio management plan and monitored its implementation on a monthly basis, thus guiding the optimisation of the industry structure across the Bank. Devoting more efforts to forward-looking research and strictly following the evolving regulatory policies, it strengthened the management of loans granted to LGFPs. The Bank strictly controlled loan's gross scale and preference through credit limit management, standardised the criteria and process for the clean-up and reclassification of existing loans granted to LGFPs. It also launched a campaign across the Bank to examine LGFPs loan risks, and took multiple measures to mitigate risks. The Bank implemented the government's real estate control policies and regulatory measures, effectively controlling its real estate credit and optimising its credit structure. It also

increased support to differentiated credits for the government's affordable housing project. Meanwhile, the Bank studied the risk features of medium-sized enterprises, explored the differentiated credit approval model, supported the development of its supply chain financing business, improved and promoted "Credit Factory" model designed for SMEs.

With respect to personal banking, the Bank rationally controlled personal lending and optimised its credit structure. To be in line with the state policies and regulatory requirements, the Bank implemented a differentiated personal housing loan policy, proactively supported the demand of first home mortgage for purchasing residential property, and enhanced the healthy development of the personal housing mortgage business. It increased the monitoring and management of personal housing loans, closely monitored the trends in the real estate market, and carried out stress testing and risk investigation for personal housing loans to prevent cyclical risk. The Bank improved its risk management policies and product policies for personal credit, intensified the analysis and monitoring of personal credit risk, strengthened personal credit management, took precautions against duplicated credit and over credit, and followed the Interim Administrative Measures for Fixed Assets Loans, the Interim Administrative Measures for Working Capital Loans, the Interim Administrative Measures for Private Loans and the Guidelines for the Project Financing issued by CBRC to enhance comprehensive process management for its personal credit business. Moreover, the Bank paid special attention to and strengthened the risk management for its credit card business, optimised the credit decision-making system, improved the dynamic monitoring of card issuance and usage, so as to curb credit card fraud risk.

The Bank enhanced its credit process and asset quality management. It strengthened the monitoring of credit risk and assets quality and tightened post-lending control. The Bank carried out periodical inventory checks of its credit assets, and enhanced its risk warning system and active risk management. The Bank strengthened cross-border group customer management, improved the sovereign risk management systems, adjusted the limit determination method, and optimised the supporting management system.

The Bank measured and managed the quality of credit-bearing assets based on the Guideline for Loan Credit Risk Classification issued by CBRC, which requires commercial banks in the PRC to classify loans using the following five asset quality categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. To improve the refined risk management for credit assets, a 13-tier risk classification system was implemented for domestic corporate loans. In classifying the loans, consideration was given to various factors that will affect the quality of loans with the core criteria being the probability of asset recovery and the extent of loss. To obtain a loan's final risk classification, the Bank must perform standardised process of classifying, checking, reviewing and approving. The loan classification may be revised when there are significant changes to its credit risk status. The Guideline for Loan Credit Risk Classification is also applicable to the overseas operations of the Bank. However, the Bank will classify credit assets in line with local applicable rules and requirements if they are stricter.

As at 31 December 2014, the Group's non-performing loans to total loans ratio was 1.18 per cent., up 0.22 percentage point compared with 31 December 2013.

The Group identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by the management.

The following table sets forth, at the dates indicated, the Group's loans and advances to customers categorised by geographical area:

	As at 31 December					
	2014		2013		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB million, except percentages)</i>					
Chinese mainland	6,605,773	77.87%	6,058,180	79.63%	5,558,682	80.98%
Hong Kong, Macau and Taiwan	1,085,928	12.80%	945,414	12.43%	828,844	12.07%
Other countries and regions	791,574	9.33%	604,197	7.94%	477,170	6.95%
Total loans and advances to customers	8,483,275	100.00%	7,607,791	100.00%	6,864,696	100.00%

The following table sets forth, at the dates indicated, the Group's loans and advances to customers categorised by industry sectors of the borrowers:

	As at 31 December 2014		As at 31 December 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
		<i>(RMB million, except percentages)</i>				
Corporate loans and advances						
Manufacturing	1,690,267	19.92%	1,557,044	20.47%	1,482,664	21.60%
Commerce and services	1,270,883	14.98%	1,148,963	15.10%	1,007,853	14.68%
Transportation, storage and postal services	825,423	9.73%	724,189	9.52%	674,260	9.82%
Real estate	714,573	8.42%	625,191	8.22%	554,618	8.08%
Production and supply of electricity, heating, gas and water	413,033	4.87%	392,643	5.16%	396,230	5.77%
Mining	356,991	4.21%	329,728	4.33%	307,358	4.48%
Financial services	230,508	2.72%	168,734	2.22%	109,977	1.60%
Water, environment and public utility management	189,017	2.23%	198,920	2.62%	215,711	3.14%
Construction	170,358	2.01%	143,278	1.88%	114,449	1.67%
Public utilities	89,024	1.05%	72,682	0.96%	70,380	1.03%
Other	95,519	1.13%	77,967	1.02%	46,899	0.68%
Subtotal	6,045,596	71.27%	5,439,339	71.50%	4,980,399	72.55%
Personal loans Mortgages	1,694,275	19.97%	1,506,331	19.80%	1,348,359	19.65%
Credit cards	268,026	3.16%	222,141	2.92%	160,865	2.34%
Other	475,378	5.60%	439,980	5.78%	375,073	5.46%
Subtotal	2,437,679	28.73%	2,168,452	28.50%	1,884,297	27.45%
Total loans and advances to customers	8,483,275	100.00%	7,607,791	100.00%	6,864,696	100.00%

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

Five-category Loan Classification						
	As at 31 December 2014		As at 31 December 2013		As at 31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB million, except percentages)</i>						
Pass	8,182,127	96.45%	7,345,227	96.55%	6,591,713	96.03%
Special-mention	200,654	2.37%	189,293	2.49%	207,535	3.02%
Substandard	54,369	0.64%	33,245	0.43%	28,643	0.42%
Doubtful	24,705	0.29%	26,465	0.35%	24,276	0.35%
Loss	21,420	0.25%	13,561	0.18%	12,529	0.18%
Total	8,483,275	100.00%	7,607,791	100.00%	6,864,696	100.00%
Non-performing Loans⁽¹⁾	100,494	1.18%	73,271	0.96%	65,448	0.95%

Note:

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

In accordance with IAS 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at 31 December 2014, the Group reported identified impaired loans of RMB99.789 billion, an increase of RMB26.670 billion compared to 31 December 2013.

For the year ended 31 December 2014, the Group's impairment losses on loans and advances stood at RMB46.606 billion, an increase of RMB23.668 billion compared with the previous year.

The following table sets forth, as at the dates indicated, the impaired loans and advances of the Group categorised by geographical area:

	As at 31 December 2014			As at 31 December 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
<i>(RMB million, except percentages)</i>									
Chinese mainland	97,057	97.26%	1.47%	70,433	96.33%	1.16%	62,844	96.01%	1.13%
Hong Kong, Macau and Taiwan	1,827	1.83%	0.17%	1,955	2.67%	0.21%	1,691	2.58%	0.20%
Other countries and regions	905	0.91%	0.11%	731	1.00%	0.12%	920	1.41%	0.19%
Total	99,789	100.00%	1.18%	73,119	100.00%	0.96%	65,455	100.00%	0.95%

The following table sets forth, as at the dates indicated, the impaired loans and advances of the Group categorised by customer type:

	As at 31 December 2014			As at 31 December 2013			As at 31 December 2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Corporate loans and advances . . .	82,129	82.30%	1.36%	59,127	80.86%	1.09%	55,090	84.16%	1.11%
Personal loans	17,660	17.70%	0.72%	13,992	19.14%	0.65%	10,365	15.84%	0.55%
Total	99,789	100.00%	1.18%	73,119	100.00%	0.96%	65,455	100.00%	0.95%

Market Risk Management

Market risk is the risk of loss on balance sheet and off balance sheet as a result of adverse changes in market prices (interest rates, exchange rates, equity prices and commodity prices). Market risk arises from open positions in the trading and banking books in interest rate, exchange risk, equities, and commodities. Both the Bank's trading book and banking book face market risks. The trading book consists of positions in financial instruments and commodities that are free of any restrictive covenants on their tradability and held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book and includes those financial instruments in the investment purchased with the Bank's surplus funds and managed in the Bank's investment book.

The Bank's board of directors takes the responsibility to approve market risk management policies and procedures and determine market risk tolerance. Senior management is responsible for implementing market risk management policies ensuring that the level of market risk is within the risk appetite determined by the board of directors, while meeting the Bank's business objectives. The risk management department and financial management department are dedicated to identifying, measuring, monitoring, controlling and reporting market risk at the group level. Each business unit is responsible for monitoring and reporting market risk within its respective business unit.

In recent years, the Bank continued to intensify the monitoring and early warning system for market risk at the group level, and improved the management of interest rate risk in the banking book as well as the exchange rate risk. Through the implementation plan of Basel II & III, the Bank continuously optimised its limit structure and risk monitoring process, and hence further enhanced the market risk management.

In line with the principle of uniform management, the Bank intensified the risk monitoring and analysis of its overall transactions business, continuously upgraded the quantification and transmission mechanisms for risk appetite in the trading businesses of the Bank, and enhanced the market risk management for its domestic and overseas branches and non-commercial bank subsidiaries. It reinforced its derivative management, improved relevant risk management policies, and stepped up forward-looking analysis and active risk management of emerging hotspot issues in the markets.

The Bank assessed the interest rate risk borne by the banking book mainly through analysis of interest rate re-pricing gaps. It made timely adjustment to the repricing structure of assets and liabilities based on changes in the market situations, and controlled the fluctuations of net interest income within an acceptable range. At the same time, the Bank further intensified the unified management of bonds by adjusting bond investment strategies and strengthened the management of bond investment risk through the timely optimisation of the bond investment structure, reducing portfolio risk.

In terms of the management of exchange rate risk, the Bank sought to achieve currency matching between fund resource and application, and managed the exchange rate risk through hedging transactions, hence effectively controlling the foreign exchange exposure.

As to market risk management for the trading book, the Bank monitored the overall Value at Risk (“VaR”), stress testing, exposure limits, stop loss limits and the utilisation of limits for each trading desk and trader on a daily basis. VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, namely, BOCHK Holding and BOCI. The Bank, BOCHK Holding and BOCI calculate VaR using a confidence level of 99 per cent. (1 per cent. statistical probability that actual losses could exceed the VaR estimate) and a historical simulation approach.

For the years ended 31 December 2014, 2013 and 2012, the VaR of the Bank’s trading book was as follows:

The Bank’s VaR for Trading Book									
	For the year ended 31 December 2014			For the year ended 31 December 2013			For the year ended 31 December 2012		
	Average	High	Low	Average	High	Low	Average	High	Low
	<i>(U.S.\$ million)</i>								
Interest rate risk	4.50	7.43	1.65	2.05	3.02	0.88	2.55	3.65	1.73
Foreign exchange risk	9.41	14.28	3.50	0.72	4.61	0.14	1.88	7.63	0.44
Volatility risk	0.09	0.37	0.03	0.02	0.12	0.00	0.03	0.10	0.00
Commodity risk	0.44	1.32	0.01	0.25	1.86	0.00	–	–	–
Total of the Bank’s trading VaR	10.24	14.93	5.37	2.27	4.80	0.98	2.85	7.94	2.06

Market risk in the banking book mainly comprises interest rate risk and exchange rate risk. Interest rate risk arises mainly from mismatches in the maturities, re-pricing periods or inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Bank manages the interest rate risk of the banking book primarily through interest rate re-pricing gap analysis. The data generated by gap analysis is used to perform sensitivity analysis, scenario analysis and stress testing, and assist decision making regarding the re-pricing of the interest-earning assets and interest-bearing liabilities. Limits of the net interest income change are set as a percentage of the net interest income budget for the Group’s commercial banking operations and are approved by the Bank’s board of directors and monitored by its risk management department periodically. The Bank closely follows domestic and foreign currency interest rate trends and promptly adjusts interest rates of its local and foreign currency deposits and loans in accordance with the change of benchmark interest rates and market interest rates.

The Bank manages its exposure to currency exchange risk through management of its foreign currency position.

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2014 and 2013:

	As at 31 December 2014							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
	(RMB million)							
Assets								
Cash and due from banks and other financial institutions . . .	712,920	70,538	9,859	4,286	1,916	1,087	12,448	813,054
Balances with central banks . . .	1,904,294	298,087	10,685	50,231	3,867	18,672	20,252	2,306,088
Placements with and loans to banks and other financial institutions	259,408	82,968	13,005	1,057	308	7,306	38,228	402,280
Financial assets at fair value through profit or loss	44,797	38,100	21,059	427	–	90	55	104,528
Derivative financial assets	9,689	13,640	20,316	627	118	1,711	1,866	47,967
Loans and advances to customers, net	6,176,901	1,302,278	613,502	67,156	7,993	13,295	113,619	8,294,744
Investment securities								
– available for sale	393,396	203,998	101,447	11,093	331	5,815	34,605	750,685
– held to maturity	1,268,586	143,405	6,097	–	616	511	5,248	1,424,463
– loans and receivables	422,189	233	1,973	–	–	–	6,304	430,699
Other	261,225	89,192	120,636	1,350	909	1,656	201,906	676,874
Total assets	11,453,405	2,242,439	918,579	136,227	16,058	50,143	434,531	15,251,382
Liabilities								
Due to banks and other financial institutions	1,033,495	499,133	17,925	27,945	8,843	5,315	187,591	1,780,247
Due to central banks	185,775	147,335	15,161	–	–	–	–	348,271
Placements from banks and other financial institutions	118,159	82,386	14,383	2,077	3,353	2,294	2,678	225,330
Derivative financial liabilities . .	2,927	13,164	14,653	891	2,099	3,353	3,647	40,734
Due to customers	8,584,335	976,427	799,630	168,279	38,179	63,533	254,840	10,885,223
Bonds issued	174,698	84,086	742	9,828	1,572	5,273	1,846	278,045
Other	298,682	62,509	129,523	2,555	881	1,295	14,659	510,104
Total liabilities	10,398,071	1,865,040	992,017	211,575	54,927	81,063	465,261	14,067,954
Net on-balance sheet position . .	1,055,334	377,399	(73,438)	(75,348)	(38,869)	(30,920)	(30,730)	1,183,428
Net off-balance sheet position . .	(75,751)	(249,557)	147,721	72,896	37,780	31,254	40,651	4,994
Credit commitments	2,247,538	667,694	203,347	79,163	7,011	19,757	65,701	3,290,211

As at 31 December 2013

	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
	<i>(RMB million)</i>							
Assets								
Cash and due from banks and other financial institutions	606,351	64,084	12,379	4,067	1,989	4,648	9,066	702,584
Balances with central banks	1,860,127	223,218	5,468	22,607	6,638	41	13,902	2,132,001
Placements with and loans to banks and other financial institutions	408,230	78,573	1,591	4,411	29	2,694	17,360	512,888
Financial assets at fair value through profit or loss	18,578	34,325	21,024	1,016	48	–	209	75,200
Derivative financial assets	9,753	11,162	15,984	664	244	1,592	1,424	40,823
Loans and advances to customers, net	5,596,690	1,134,219	535,127	61,111	6,645	12,054	93,896	7,439,742
Investment securities								
– available for sale	290,979	262,079	99,681	14,447	786	416	32,808	701,196
– held to maturity	1,120,644	77,730	6,674	480	693	–	4,310	1,210,531
– loans and receivables	401,439	3,176	2,417	–	–	–	9,672	416,704
Other	236,450	75,217	125,851	1,454	1,139	3,029	199,490	642,630
Total assets	10,549,241	1,963,783	826,196	110,257	18,211	24,474	382,137	13,874,299
Liabilities								
Due to banks and other financial institutions	963,948	352,134	16,120	20,798	6,433	8,858	183,333	1,551,624
Due to central banks	56,044	120,540	23,431	–	–	–	924	200,939
Placements from banks and other financial institutions	148,018	161,084	12,794	5,275	8,076	641	3,377	339,265
Derivative financial liabilities	6,692	10,719	12,472	677	1,813	1,384	2,455	36,212
Due to customers	8,091,102	848,525	701,985	144,712	36,762	46,567	228,133	10,097,786
Bonds issued	175,400	40,418	1,525	3,350	–	3,784	227	224,704
Other	256,526	62,633	134,433	1,870	567	2,493	3,770	462,292
Total liabilities	9,697,730	1,596,053	902,760	176,682	53,651	63,727	422,219	12,912,822
Net on-balance sheet position	851,511	367,730	(76,564)	(66,425)	(35,440)	(39,253)	(40,082)	961,477
Net off-balance sheet position	(23,364)	(309,362)	135,296	71,474	33,690	40,922	55,022	3,678
Credit commitments	1,892,010	672,072	175,354	84,313	8,004	15,835	56,363	2,903,951

Liquidity Risk Management

Liquidity risk is the risk that the Bank is unable to obtain funds at a reasonable cost in a certain period of time when required to meet repayment obligations or sustain its assets business. The Bank's objective in liquidity risk management is to maintain liquidity at a reasonable level according to its business development strategy, and to ensure it has adequate funds to meet business development needs and ensure due debt repayment, whether under normal business conditions or under stress.

In recent years, facing the tightening of Renminbi and foreign currency liquidity, the Bank adopted a proactive and forward-looking liquidity management policy that stroke a balanced between security, liquidity and profitability, resulting in an improvement in the liquidity risk indicators. The Bank endeavoured to expand core deposits to enhance the stability of funding sources, and seized opportunities of low interest rates in overseas markets to broaden the channels of funding sources. The Bank also strengthened the control of internal funds and reasonably guided the direction of fund application. In addition, the Bank intensified the management of liquidity reserve and established a liquidity early warning system to prevent liquidity risk.

The Bank continued to refine its liquidity stress testing mechanism and conducted quarterly stress testing. The testing results showed that the Bank would be able to pay due debts and sustain its asset business in distressed scenarios.

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at financial reporting date to the contractual maturity date:

As at 31 December 2014								
Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total	
<i>(RMB million)</i>								
Assets								
Cash and due from banks and other financial institutions . . .	–	190,770	259,717	169,796	191,206	1,565	–	813,054
Balances with central banks . . .	1,727,805	549,386	28,897	–	–	–	–	2,306,088
Placements with and loans to banks and other financial institutions	–	–	164,596	99,529	128,686	9,469	–	402,280
Financial assets at fair value through profit or loss	17,670	–	9,844	11,738	17,104	33,326	14,846	104,528
Derivative financial assets	–	8,559	5,542	5,753	21,443	4,185	2,485	47,967
Loans and advances to customers, net.	32,171	111,458	391,002	1,000,634	2,106,643	2,050,490	2,602,346	8,294,744
Investment securities:								
– available for sale	37,082	–	37,339	60,324	152,721	312,691	150,528	750,685
– held to maturity	–	–	11,079	31,189	191,746	794,693	395,756	1,424,463
– loans and receivables	–	–	11,977	49,983	86,774	52,664	229,301	430,699
Other	228,158	287,218	35,126	29,822	25,947	48,146	22,457	676,874
Total assets	2,042,886	1,147,391	955,119	1,458,768	2,922,270	3,307,229	3,417,719	15,251,382
Liabilities								
Due to banks and other financial institutions	–	1,286,794	184,231	53,489	107,013	120,949	27,771	1,780,247
Due to central banks	–	111,482	23,020	105,721	97,741	10,307	–	348,271
Placements from banks and other financial institutions . . .	–	–	111,587	43,772	51,424	18,547	–	225,330
Derivative financial liabilities . . .	–	4,744	6,385	6,287	15,605	5,821	1,892	40,734
Due to customers	–	4,615,797	1,354,720	1,278,159	2,261,560	1,350,454	24,533	10,885,223
Bonds issued	–	–	10,861	35,743	17,710	39,788	174,213	278,045
Other liabilities	–	144,280	69,095	33,720	140,676	65,138	57,195	510,104
Total liabilities	–	6,163,097	1,759,899	1,556,621	2,691,729	1,611,004	285,604	14,067,954
Net liquidity gap	2,042,886	(5,015,706)	(804,780)	(97,853)	230,541	1,696,225	3,132,115	1,183,428

As at 31 December 2013

	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
	<i>(RMB million)</i>							
Assets								
Cash and due from banks and other financial institutions . . .	1	162,408	99,073	137,465	302,129	1,508	–	702,584
Balances with central banks . . .	1,613,606	403,586	114,809	–	–	–	–	2,132,001
Placements with and loans to banks and other financial institutions	–	–	321,306	62,181	128,583	818	–	512,888
Financial assets at fair value through profit or loss	7,622	–	5,270	7,093	10,416	32,332	12,467	75,200
Derivative financial assets	–	11,005	5,163	5,437	11,336	4,235	3,647	40,823
Loans and advances to customers, net.	21,678	83,794	434,613	878,725	1,915,073	1,716,505	2,389,354	7,439,742
Investment securities:								
– available for sale	34,245	–	39,352	69,970	152,305	277,096	128,228	701,196
– held to maturity	–	–	18,387	33,814	195,971	617,451	344,908	1,210,531
– loans and receivables	–	–	25,739	53,564	88,625	29,894	218,882	416,704
Other	212,668	289,907	34,222	21,982	22,927	44,685	16,239	642,630
Total assets	1,889,820	950,700	1,097,934	1,270,231	2,827,365	2,724,524	3,113,725	13,874,299
Liabilities								
Due to banks and other financial institutions	–	727,316	131,752	146,786	324,654	217,021	4,095	1,551,624
Due to central banks	–	65,077	23,118	41,344	64,538	6,862	–	200,939
Placements from banks and other financial institutions . . .	–	–	187,104	105,048	47,113	–	–	339,265
Derivative financial liabilities . . .	–	7,529	4,348	5,812	11,124	6,165	1,234	36,212
Due to customers	–	4,581,538	1,233,777	1,071,379	2,174,469	1,024,471	12,152	10,097,786
Bonds issued	–	–	5,951	10,695	20,571	69,958	117,529	224,704
Other	–	132,880	64,851	29,405	128,742	65,423	40,991	462,292
Total liabilities	–	5,514,340	1,650,901	1,410,469	2,771,211	1,389,900	176,001	12,912,822
Net liquidity gap	1,889,820	(4,563,640)	(552,967)	(140,238)	56,154	1,334,624	2,937,724	961,477

Regulatory Ratios on Liquidity

As at 31 December 2014 and 2013, the Bank's liquidity position, as shown in the table below, met regulatory requirements. (Liquidity ratio is the indicator of the Bank's liquidity; excess reserve ratio and interbank ratios are the indicators of liquidity of the Bank's operations in mainland China)

Main regulatory ratios (%)		Regulatory standard	As at 31 December 2014	As at 31 December 2013
Liquidity ratio	RMB	≥25	49.9	48.0
	Foreign Currency	≥25	59.9	62.2
Excess reserve ratio	RMB	–	2.3	1.7
	Foreign Currency	–	14.6	23.8
Inter-bank ratio	Inter-bank borrowings ratio	≤8	0.3	0.2
	Inter-bank loans ratio	≤8	0.4	2.3

Notes:

- (1) Liquidity ratio is the indicator of the Group's liquidity; excess reserve ratio and inter-bank ratio are the indicators of liquidity for the Bank's domestic operations.
- (2) Liquidity ratio = current assets/current liabilities. Liquidity ratio is calculated in accordance with the relevant provisions PBOC and CBRC.
- (3) RMB excess reserve ratio = (reserve in excess of the mandatory requirements + cash)/(balance of deposits + remittance payables)
- (4) Foreign currency excess reserve ratio = (reserve in excess of the mandatory requirements + cash + due from banks and due from overseas branches and subsidiaries)/balance of deposits
- (5) Inter-bank borrowings ratio = Total Renminbi inter-bank borrowings from other banks and financial institutions/Total Renminbi deposits
- (6) Inter-bank loans ratio = Total Renminbi inter-bank loans to other banks and financial institutions/Total Renminbi deposits

Internal Control and Operational Risk Management

Internal Control

The Bank leveraged its “three lines of defence” to improve the effectiveness of internal control.

Branches, business departments and staff at various levels of the Bank are the Group's first line of defence of internal control, responsible for internal control when promoting business development. Adhering to the Group's risk appetite and principles of management intensified and risk controllable, the Bank streamlined, optimised and integrated its grass-roots internal control measures and monitoring methods, thus improving the overall effectiveness of the first defence line.

The risk management unit and the business management departments are the second line of defence of internal control. They are responsible for the overall planning of internal control policies, and for directing, examining, monitoring and assessing the work of the first line of defence. The Bank's second line of defence paid close attention to changes in internal and external risks, strengthened risk forewarning ability and actively responded to emergencies, making the Bank's risk management and internal control more forward-looking. It closely tracked the status of the Bank's management over risks arising from the newly operated IT Blueprint system, and improved the risk control mechanism interface for outlets, accounts and tellers, achieving enhanced risk management. As part of its “Year for Deepening Internal Control and Case Prevention System Execution” campaign, the Bank carried out inspections to assess the implementation of its internal control system, especially at grassroots outlets and counters. Focusing on fraud risk, it supervised the first line of defence in fulfilling its self-monitoring functions and implementing internal control policies and regulations.

The internal audit department performed its responsibility as the third line of defence. It pushed forward audit transformation, innovated the working framework, rapidly responded to risk changes and enhanced overall professional duty performance. By carrying out several special audits and inspections, it constantly

evaluated the implementation of the Bank's strategy and business transformation, as well as the establishment, execution and improvement of mechanisms for risk management and internal control. The Bank tracked risk changes and control measures in process reengineering following the implementation of the core banking system, intensified the audit supervision for the diversified operations, and strengthened risk control related to the large-scale development of its overseas businesses, which contributed to the continuous improvement of the risk management and control.

The Bank continued to implement the basic rules on enterprise internal control and relevant implementation guidelines, and enacted the Bank of China implementation plan on the basic rules on enterprise internal control and the implementation guidelines. In accordance with the guidelines of five factors of internal control, namely the control environment, risk assessment, control activities, information and communication, and internal supervision, the Bank further enhanced its governance structure, operating mechanisms, internal control policies, technical instruments and professional teams, and established and improved its internal control system in compliance with the requirements of the basic rules on enterprise internal control.

The Bank strictly complied with the accounting regulations and developed its financial and accounting system. The Bank amended its accounting management policies and accounting measures for key businesses in response to the changes in financial and accounting regulations, the integration of internal management and the impacts of the new core banking system. In line with relevant accounting regulations, the Bank developed financial reporting and auditing management policies to standardise the procedures for the financial reporting and auditing process. These procedures and processes ensure the effectiveness of the Bank's internal controls over the financial reporting process. The consolidated financial statements of the Bank together with the relevant disclosure were prepared according to applicable accounting standards and regulations, and the accounting information disclosed in the consolidated financial statements fairly reflected the Bank's financial position, operating results and cash flows.

Operational Risk Management

The Bank manages its operational risk through a structure suitable to the scale and complexity of its businesses. The operational risk department under the risk management unit is responsible for the establishment and implementation of the Bank's operational risk management framework, which has improved the consistency and effectiveness of the Bank's operational risk management. All service lines, domestic and overseas institutions, constantly identify and monitor all operational risks and internal controls within their business scopes. The functional departments including legal and compliance, IT, human resources, security and supervision provide professional technical support regarding operational risk management within their responsibilities and based on their expertise. The internal audit department regularly inspects and assesses the effectiveness of the implementation of the Bank's operational risk management framework.

The Bank utilised a range of tools for managing operational risk, including: (1) conducting operational risk and control assessment ("RACA") in order to gain a dynamic understanding of the operational risk status of all business lines and institutions of the Bank, identify potential risks in business processes, systems and personnel, and take corrective measures for unacceptable risk exposure, (2) establishing key risk indicators ("KRI"), by collecting statistics from its day-to-day business operations, and conducting quantitative monitoring and analysis of the likelihood, impact and effectiveness of certain controls for key risks, so as to give timely early warnings of any abnormalities in KRIs and trigger investigation and rectification, and (3) engaging in operational loss data collection ("LDC") across the Bank, allowing it to monitor the actual loss amounts and distribution of operational risks, conduct in-depth analysis into the causes of material operational risk events, and take appropriate rectification measures.

The Bank constantly monitored operational risk loss events occurred in domestic and overseas peers, analysed risk prevention problems arising from external events and enhanced its risk control ability. The Bank launched internal control inspections into high-risk business areas, recorded risk control problems identified in internal and external inspections, and adopted an internal control rectification mechanism featuring centralised management and unified follow-up, thus fostering the constant improvement in risk control. In the year ended 31 December 2014, the Bank succeeded in preventing 133 external cases valued at RMB288 million.

Compliance Management

The Bank proactively monitored the compliance risk and enhanced the Group's overall compliance risk management capabilities so as to increase the Group's overall level of compliance. It monitored risk information such as the latest regulatory requirements, inspections and assessments imposed on the Group

and carried out comprehensive assessment on and research on compliance risk. Business departments and legal and compliance departments of all institutions cooperated with each other to implement the regulatory requirements, resulting in orderly functioning of the prevention and control mechanism for regulatory penalty of the Group. The Bank stressed the importance of group-wide sharing of compliance risk information, ensured the timely circulation and reporting of the Group's overall compliance risk profile and material risk events, and conducted assessments on compliance risk management capability of the Group.

The Bank strengthened anti-money laundering control across the Group by successfully putting an anti-money laundering monitoring and analysis system into operation, and optimising its functions. The Bank comprehensively assessed the quality of customer money laundering risk classification and due diligence. The Bank also increased monitoring for the report quality of suspicious transactions, established an off-site monitoring mechanism for reporting of domestic suspicious transaction data, and guided branches to strengthen manual identification and reduce redundant reports. In addition, the Bank pushed forward the cultivation of anti-money laundering experts, and launched a centralised identification model for suspicious transactions on a trial basis. By conducting multi-tiered, diversified and targeted anti-money laundering trainings and publicity, the Bank enhanced the anti-money laundering awareness of its staff and the risk monitoring capabilities of its outlet employees.

The Bank managed its connected transactions and internal transactions. It continued to upgrade its connected transaction monitoring system and promoted the smooth functioning of all management mechanisms for connected transactions. The Bank followed the administrative measures for internal transactions to control internal transactions across the Group. It organised the information monitoring and reporting of the Group's internal transactions via the information reporting platform for internal transactions.

New Basel Capital Accord Implementation

The Bank fully implemented the Capital Rules for Commercial Banks (Provisional), refined its risk management and enhanced risk qualification and professionalism. With the implementation of the New Basel Capital Accord, the overall risk governance and management system constantly improved. In addition, the Bank refined policies and business flow, enhanced the capacity for independent development of the measurement model, managed the development, improvement, monitoring and maintenance of the risk measurement model in a coordinated manner, and built a model validation system covering various risks. It continuously consolidated databases, improved data quality and strengthened the cultivation of professional talents.

The Bank has largely completed the first-phase work for New Basel Capital Accord implementation and has achieved the coordinated advancement of Pillar I, II and III. It has also rectified problems identified by CBRC's acceptance inspection and cooperated with CBRC's regulatory and cross-border inspections. The Bank has applied to CBRC to implement advanced capital management approaches. Specifically, the Bank has sought approval to apply a foundation internal rating based approach to non-retail credit risk, an internal rating based ("IRB") approach to retail credit risk, an internal model approach to market risk and a standardised approach to operational risk. The Bank accelerated preparations for the implementation of an advanced IRB approach for non-retail credit risk and an advanced measurement approach for operational risk.

In recent years, the Bank consolidated its data base, reduced data redundancy and promoted a uniform and regulated data standard in a bid to strengthen data sharing and raise the data service level of business departments and branches. It reinforced coordinated management over development, upgrading, monitoring and maintenance of risk measurement models, and enhanced its self-improving capability. The Bank also improved the IRB approach to economic capital measurement and management, and established a model validation framework covering all kinds of risks to perform well in model validation. Focusing on the quantification and communication of risk appetite, the Bank made great efforts to apply the New Basel Capital Accord and stress testing. It advanced the construction of the economic capital model under the New Basel Capital Accord, deepened its performance appraisal of economic capital and included such indicators as risk-adjusted return on capital and economic value added into the performance appraisal system of the branches and business lines of the Bank. The Bank also substantially reinforced the use of various risk measurement tools across the entire credit procedure to support the Bank's transformative development.

Capital Management

The CBRC Measures, which were formally implemented in 2013, readjusted the definition of capital and calculation of risk-weighted assets. Under the new measures, the Group's capital adequacy ratio was 13.87 per cent., tier 1 capital adequacy ratio was 11.35 per cent., and common equity tier 1 capital adequacy ratio was 10.61 per cent. as at 31 December 2014.

Guided by the latest capital regulations, the Bank continuously optimised its on-and off-balance sheet asset structure. It adhered to the principle of enhancing a bank-wide capital constraint and encouraged efforts in optimising business structure. Specific measures were taken, including increasing capital allocation to the capital-lite businesses, devoting great efforts to developing fee-based businesses, rationally controlling the rise of off-balance sheet risk assets, strictly limiting the size of high-risk-weighted assets, and requiring more guarantee and pledge risk mitigation during the credit process, etc., so as to reduce capital charges efficiently.

DESCRIPTION OF THE GROUP'S ASSETS AND LIABILITIES

The section "Description of the Bank's Assets and Liabilities" in the Principal Offering Circular shall be deleted in its entirety and replaced with the following:

The following discussions and analysis should be read in conjunction with the Bank's audited consolidated financial statements as at and for the years ended 31 December 2013 and 2014 which have been incorporated by reference into this Offering Circular. The Bank's consolidated financial statements have been prepared in accordance with IFRS. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.

Analysis of Loans and Advances to Customers

The following table sets out an analysis of the Group's loans and advances to customers:

	As at 31 December		
	2014	2013	2012
	<i>(RMB million)</i>		
Corporate loans and advances			
– Loans and advances	5,820,128	5,310,894	4,813,749
– Discounted bills	225,468	128,445	166,650
Subtotal	<u>6,045,596</u>	<u>5,439,339</u>	<u>4,980,399</u>
Personal loans			
– Mortgages	1,694,275	1,506,331	1,348,359
– Credit cards	268,026	222,141	160,865
– Other	475,378	439,980	375,073
Subtotal	<u>2,437,679</u>	<u>2,168,452</u>	<u>1,884,297</u>
Total loans and advances	<u>8,483,275</u>	<u>7,607,791</u>	<u>6,864,696</u>
Allowance for impairment losses			
– Individually assessed	(49,239)	(39,202)	(38,537)
– Collectively assessed	(139,292)	(128,847)	(116,119)
Total allowance for impairment losses	<u>(188,531)</u>	<u>(168,049)</u>	<u>(154,656)</u>
Loans and advances to customers, net	<u>(8,294,744)</u>	<u>7,439,742</u>	<u>6,710,040</u>

Loans and Advances to Customers by Industry

The following table sets out an analysis of the Group's loans and advances to customers by industry:

	As at 31 December					
	2014		2013		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB million, except percentages)</i>					
Corporate loans and advances						
Manufacturing	1,690,267	19.92%	1,557,044	20.47%	1,482,664	21.60%
Commerce and services	1,270,883	14.98%	1,148,963	15.10%	1,007,853	14.68%
Transportation, storage and postal services	825,423	9.73%	724,189	9.52%	674,260	9.82%
Real estate	714,573	8.42%	625,191	8.22%	554,618	8.08%
Production and supply of electricity, heating, gas and water	413,033	4.87%	392,643	5.16%	396,230	5.77%
Mining	356,991	4.21%	329,728	4.33%	307,358	4.48%
Water, environment and public utility management	189,017	2.23%	198,920	2.62%	215,711	3.14%
Financial services	230,508	2.72%	168,734	2.22%	109,977	1.60%
Construction	170,358	2.01%	143,278	1.88%	114,449	1.67%
Public utilities	89,024	1.05%	72,682	0.96%	70,380	1.03%
Other	95,519	1.13%	77,967	1.02%	46,899	0.68%
Subtotal	<u>6,045,596</u>	<u>71.27%</u>	<u>5,439,339</u>	<u>71.50%</u>	<u>4,980,399</u>	<u>72.55%</u>
Personal loans						
Mortgages	1,694,275	19.97%	1,506,331	19.80%	1,348,359	19.65%
Credit cards	268,026	3.16%	222,141	2.92%	160,865	2.34%
Other	475,378	5.60%	439,980	5.78%	375,073	5.46%
Subtotal	<u>2,437,679</u>	<u>28.73%</u>	<u>2,168,452</u>	<u>28.50%</u>	<u>1,884,297</u>	<u>27.45%</u>
Total loans and advances to customers	<u><u>8,483,275</u></u>	<u><u>100.00%</u></u>	<u><u>7,607,791</u></u>	<u><u>100.00%</u></u>	<u><u>6,864,696</u></u>	<u><u>100.00%</u></u>

Loans and Advances to Customers by Geographical Area

The following table sets out an analysis of the Group's loans and advances to customers by geographical area:

Group

	As at 31 December					
	2014		2013		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(RMB million, except percentages)</i>					
Chinese mainland	6,605,773	77.87%	6,058,180	79.63%	5,558,682	80.98%
Hong Kong, Macau and Taiwan	1,085,928	12.80%	945,414	12.43%	828,844	12.07%
Other countries and regions	791,574	9.33%	604,197	7.94%	477,170	6.95%
Total loans and advances to customers	8,483,275	100.00%	7,607,791	100.00%	6,864,696	100.00%

Impaired Loans and Advances by Geographical Area

The following table sets out an analysis of the Group's impaired loans and advances by geographical area:

	As at 31 December								
	2014			2013			2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Chinese mainland	97,057	97.26%	1.47%	70,433	96.33%	1.16%	62,844	96.01%	1.13%
Hong Kong, Macau and Taiwan	1,827	1.83%	0.17%	1,955	2.67%	0.21%	1,691	2.58%	0.20%
Other countries and regions	905	0.91%	0.11%	731	1.00%	0.12%	920	1.41%	0.19%
Total	99,789	100.00%	1.18%	73,119	100.00%	0.96%	65,455	100.00%	0.95%

Chinese mainland

	As at 31 December								
	2014			2013			2012		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
	<i>(RMB million, except percentages)</i>								
Northern China	15,675	16.15%	1.50%	9,831	13.96%	1.04%	10,535	16.76%	1.21%
Northeastern China	5,507	5.67%	1.20%	3,945	5.60%	0.93%	3,516	5.59%	0.88%
Eastern China	44,754	46.11%	1.67%	31,666	44.96%	1.29%	23,476	37.36%	1.03%
Central and Southern China	20,974	21.61%	1.31%	20,658	29.33%	1.40%	20,372	32.42%	1.51%
Western China	10,147	10.46%	1.23%	4,333	6.15%	0.58%	4,945	7.87%	0.75%
Total	97,057	100.00%	1.47%	70,433	100.00%	1.16%	62,844	100.00%	1.13%

Reconciliation of Allowance for Impairment Losses

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

	Year ended 31 December		
	2014	2013	2012
	<i>(RMB million)</i>		
As at 1 January	168,049	154,656	139,676
Impairment losses for the period/year	84,054	63,750	52,490
Reversal	(37,448)	(40,812)	(33,404)
Written off and transfer out	(25,731)	(9,096)	(4,209)
Recovery of loans and advances written off in previous years	754	728	666
Unwind of discount on allowance	(879)	(500)	(363)
Exchange differences	(268)	(677)	(200)
31 December	<u>188,531</u>	<u>168,049</u>	<u>154,656</u>

DIRECTORS, MANAGEMENT AND SUPERVISORS

General

The Bank's board of directors currently comprises 12 members. Other than the Chairman, there is one executive director, five independent non-executive directors and five non-executive directors. The Bank's directors are elected at its shareholder meetings for a term of three years, which is renewable upon re-election. The Chairman and the Vice Chairman of the Bank's board of directors are elected by simple majority of its directors. The Bank's Chairman, Mr Tian Guoli, also serves as the Chairman of BOCHK (Holdings). The Bank's Vice Chairman and President, Mr Chen Siqing, also serves as a non-executive director of BOCHK (Holdings).

The business address of each of the directors, supervisors and senior management named below is No. 1 Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China.

Directors

The following table sets forth certain information concerning the Bank's directors.

Board of Directors

Name	Position
Tian Guoli	Chairman
Chen Siqing	Vice Chairman and President
Zhang Xiangdong	Non-Executive Director
Zhang Qi	Non-Executive Director
Wang Yong	Non-Executive Director
Wang Wei	Non-Executive Director
Liu Xianghui	Non-Executive Director
Chow Man Yiu, Paul	Independent Non-Executive Director
Jackson Tai	Independent Non-Executive Director
Nout Wellink	Independent Non-Executive Director
Lu Zhengfei	Independent Non-Executive Director
Leung Cheuk Yan	Independent Non-Executive Director

Tian Guoli, has been serving as Chairman of the Bank's Board of Directors since May 2013. Mr. Tian joined the Bank in April 2013. From December 2010 to April 2013, Mr. Tian served as Vice Chairman of the board of directors and General Manager of China CITIC Group. During this period, he also served as Chairman of the board of directors and Non-executive Director of China CITIC Bank. From April 1999 to December 2010, Mr. Tian successively served as Vice President and President of China Cinda Asset Management Company, and Chairman of the board of directors of China Cinda Asset Management Corporation Limited. From July 1983 to April 1999, Mr. Tian held various positions in China Construction Bank ("CCB"), including sub-branch general manager, deputy branch general manager, department general manager of the CCB Head Office, and Executive Assistant President of CCB. Mr. Tian has been serving as Chairman of the Board of Directors and a Non-executive Director of BOCHK (Holdings) since June 2013. Mr. Tian received a Bachelor's degree in Economics from Hubei Institute of Finance and Economics in 1983.

Chen Siqing, has been serving as the Bank's President since February 2014 and as Vice Chairman of the Board of Directors and Executive Director of the Bank since April 2014. Mr. Chen joined the Bank in 1990 and served as Executive Vice President of the Bank from June 2008 to February 2014. Mr. Chen held various positions in the Bank from June 2000 to May 2008, including Assistant General Manager, Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office and General Manager of the Guangdong Branch. Mr. Chen previously worked in the Hunan Branch of the Bank before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Since December 2011, Mr. Chen has been serving as a Non-executive Director of BOCHK (Holdings) and Chairman of the Board of Directors of BOC Aviation. Currently, Mr. Chen also serves as Chairman of the Board of Directors of China Culture Industrial Investment Fund Co., Ltd., Vice Chairman of China Chamber of International Commerce and Director of Trade Finance Committee of China Banking Association. Mr. Chen graduated from Hubei College of Finance and Economics in 1982. He obtained an MBA from Murdoch University, Australia in 1999. He is a Certified Public Accountant.

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

Zhang Qi, has served as the Bank's non-executive director since July 2011. Mr. Zhang worked in Central Expenditure Division One, Comprehensive Division of the Budget Department, and Ministers' Office of the General Office of the Ministry of Finance, as well as the Operation Department of China Investment Corporation, serving as Deputy Director, Director and Senior Manager from 2001 to 2011. Mr. Zhang studied in the Investment Department and Finance Department of China Northeast University of Finance and Economics from 1991 to 2001, and obtained the Bachelor's degree, Master's degree and Doctorate in Economics respectively in 1995, 1998 and 2001.

Wang Yong, has served as the Bank's non-executive director since July 2013. Mr. Wang served as a director of CCB from June 2007 to June 2013 and a director of China Export & Credit Insurance Corporation since December 2012. Mr. Wang was an inspector of the Balance of International Payments Department of SAFE from August 2004 to March 2007, and served consecutively as Deputy Director General of the Foreign Investment Administration Department, Deputy Director General of the Capital Account Management Department and Director General of the Balance of International Payments Department of SAFE from January 1997 to August 2004. Mr. Wang has a qualification of senior economist. He graduated from Jilin University with a Bachelor's degree in world economics in 1984 and a Master's degree in world economics in 1987.

Wang Wei, has served as the Bank's non-executive Director since September 2014. Mr. Wang served as Director General of Tariff Department of the Ministry of Finance and concurrently as Director General of the Centre for Tariff Policy Research of the Ministry of Finance from November 2004 to August 2014. Mr. WANG served as the Deputy Director General of Tariff Department of the Ministry of Finance from January 2004 to November 2004. From November 1994 to January 2004, Mr. WANG successively served as Researcher as well as Deputy Director and Director of the Office of the Tariff Rules Commission of the State Council, Director of the Department for Tax System and Tax Rules of the Ministry of Finance and Deputy Director General of the Department for Tax Affairs of the Ministry of Finance. He graduated from Beijing Iron and Steel Institute and China Agricultural University with a Bachelor's degree, a Master's degree and a Doctorate in March 1982, August 1988, and June 2002, respectively.

Liu Xianghui, has served as the Bank's non-executive Director since October 2014. Mr. Liu served as the external supervisor of China Cinda Asset Management Corporation Limited from June 2013 to June 2014. He served as the non-executive director of China Cinda Asset Management Company from June 2010 to June 2013, and non-executive director of China Construction Bank Corporation from September 2004 to June 2010. From September 1978 to May 1994, he held various positions at the State Economic Commission and the State Planning Commission and he worked for half a year at the United States Environmental Protection Agency in 1993. He worked consecutively as the division chief of the Industry and Transportation Group, assistant inspector (deputy director-general level) and inspector (director-general level) of the Economic and Trade Group under the Office of Central Leading Group on the Financial and Economic Affairs from May 1994 to September 2004. Mr. Liu is a senior Economist. He graduated from Liaoning University in August 1978. He studied the senior courses of national economic planning at the Central College of Planning and Statistics of Poland from October 1989 to February 1990. He also studied modern economic management at Beijing Economic Correspondence University from April 1985 to April 1986.

Chow Man Yiu, Paul, has served as the Bank's independent director since October 2010. Mr. Chow was an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010. Hong Kong Exchanges and Clearing Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chow currently serves as Chairman of Hong Kong Cyberport

Management Company Limited and an independent non-executive director of China Mobile Limited. Mr. Chow also serves as a member of Asian Advisory Committee of AustralianSuper Pty. Ltd. Mr. Chow served as the Chief Executive, Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003. From 1992 to 1997 and 2003 to January 2010, Mr. Chow was a member of the Standing Committee on Company Law Reform of the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”). Mr. Chow also served as a Director of the World Federation of Exchanges from 2003 to January 2010 and became Chairman of its Working Committee in 2007 and 2008 and then its Vice-chairman in 2009. From 2001 to 2007, he was a member of the Advisory Committee of the Hong Kong Securities and Futures Commission. Mr. Chow graduated from the University of Hong Kong with a Bachelor’s degree in Science (Engineering) in 1970. He obtained a Diploma in Management Studies and an MBA in 1979 and 1982, respectively, from the University of Hong Kong. He also obtained a Diploma in Finance (Distinction) from the Chinese University of Hong Kong in 1987, and was conferred the Doctor of Social Science, honoris causa by the Open University of Hong Kong in 2010. He was awarded the title of Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the HKSAR Government in 2003, 2005 and 2010, respectively. Mr. Chow is a Distinguished Fellow of the Hong Kong Computer Society, an Honorary University Fellow of the University of Hong Kong, an Honorary Fellow of the Hong Kong University of Science and Technology, a Fellow of the Hong Kong Institute of Chartered Secretaries, a Fellow of the Institute of Chartered Secretaries and Administrators, an Honorary Fellow of Hong Kong Securities Institute and a Certified General Accountant (Honorary) of the Canadian Certified General Accountants Association of Hong Kong.

Jackson Tai, has served as the Bank’s independent director since March 2011. Mr. Tai has over 35 years of experience in the banking industry. He held various key positions in DBS Group Holdings Limited (“**DBS Group**”) and DBS Bank Limited (“**DBS Bank**”) including Vice Chairman and Chief Executive Officer of DBS Group and DBS Bank from 2002 to 2007, President and Chief Operating Officer of DBS Group and DBS Bank from 2001 to 2002, and Chief Financial Officer of DBS Bank from 1999 to 2001. He was also a Director of DBS Bank (China) Limited from 2007 to 2008. Prior to that, he was with J.P. Morgan & Co. Incorporated from 1974 to 1999 where he was the Managing Director in the Investment Banking Division and held senior management positions in New York, Tokyo and San Francisco. He currently serves as a director of a number of companies listed in New York and Singapore, including director of Eli Lilly and Company since 2013, director of Singapore Airlines since 2011, director of Royal Philips NV since 2011, and director of MasterCard Incorporated since 2008. Mr. Tai is a director of privately-held VaporStream, and is also a director of privately held Russell Reynolds Associates since 2013. Previously, Mr. Tai was a director of NYSE Euronext from 2010 to 2013, ING Groep NV from 2008 to 2010, and CapitaLand from 2001 to 2010. Mr. Tai is also currently a member of the Asia-Pacific Advisory Board of Harvard Business School, and trustee of Rensselaer Polytechnic Institute, director of the Metropolitan Opera in New York, and a director and member of the Committee of 100. Mr. Tai graduated from Rensselaer Polytechnic Institute with a Bachelor of Science degree in 1972, and from Harvard University with a Masters of Business Administration degree in 1974.

Nout Wellink, has served as the Bank’s independent non-executive Director since October 2012. Mr. Wellink has served as a member of the Executive Board of the Dutch Central Bank (“**DNB**”) for almost 30 years, the last 14 years as its President. He retired from DNB on 1 July 2011. DNB has since 1999 been an integral part of the European System of Central Banks, but at the same time been the national prudential supervisor of banks, 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 a Governor of the International Monetary Fund. Prior to his appointment in 1982 as an executive director of DNB, Mr. Wellink held several posts in the Dutch Ministry of Finance, including as the Treasurer General from 1977 to 1982. After studying Dutch law at Leyden University from 1961 to 1968 with a Master’s degree obtained, Mr. Wellink obtained a doctor’s degree in economics at the Rotterdam Erasmus University in 1975. In 2008, he received an honorary doctorate from Tilburg University. From 1988 to 1998, Mr. Wellink was an Extraordinary Professor at the Free University in Amsterdam. Mr. Wellink is currently the chairman of the Supervisory Board of the Leyden University, and Chairman of the Public Interest Committee of PricewaterhouseCoopers Accountants N.V. Mr. Wellink had many secondary functions in the past, including member of the Supervisory Board of a bank 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 since 2011 Commander of the Order of Orange-Nassau.

Lu Zhengfei, has served as the Bank’s independent non-executive director since July 2013. Mr. Lu Zhengfei currently serves as the associate dean and professor of the accounting department of Guanghua School of Management, Peking University. He had served as the head of the accounting department of the School of Business, Nanjing University between 1994 and 1999, and the head of the accounting department of Guanghua School of Management, Peking University between 2001 and 2007. Mr. Lu also currently serves as a consulting expert of the China Accounting Standards Committee of the Ministry of Finance, an executive director and an academic committee member of the Accounting Society of China, an executive director of the China Audit Society, an editorial board member of Accounting Research and Audit Research, and a member of the disciplinary committee of the Chinese Institute of Certified Public Accountants. In 2001, he was elected as a member of “The Hundred People Project of Beijing New Century Social Science Theoretical Talent”. In 2005, he was elected to the “New Century Excellent Talent Support Plan” of the Ministry of Education, China. He currently serves as an independent non-executive director or an independent supervisor of a number of companies listed in Hong Kong Stock Exchange, including: independent non-executive director of Sinotrans Ltd. since September 2004, independent non-executive director of Sino Biopharmaceutical Ltd. since November 2005, independent non-executive director of China National Materials Co., Ltd. since December 2009, and independent supervisor of PICC Property and casualty Co., Ltd. (“**PICC P&C**”) since January 2011. He was an independent non-executive director of PICC P&C from February 2004 to December 2010. Mr. Lu graduated from Renmin University of China in 1988 with a Master’s degree in Economics (Accounting), and received his Doctor’s degree in Economics (Management) from Nanjing University in 1996.

Leung Cheuk Yan, has served as the Bank’s independent director since September 2013. He is a former partner of Baker & McKenzie, which he joined in July 1987 and from which he retired in June 2011. During 2009 and 2010, he had served as a part-time member of the Central Policy Unit of HKSAR Government. Mr. Leung has been an independent non-executive director of MMG Limited, which is listed on The Stock Exchange of Hong Kong Limited, since July 2012. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Social Science degree (First Class Honours) in 1976, obtained a Master of Philosophy degree from The University of Oxford in 1981 and completed his legal study at The College of Law in England in 1982. He was admitted to practice as a solicitor in Hong Kong in 1985, in England and Wales in 1988, in the Australian Capital Territory in 1989 and in Victoria, Australia in 1991. He is a Senior Associate Member of St. Antony’s College, Oxford.

The business address of the Bank’s directors is Bank of China Limited, No. 1 Fuxingmennei Dajie, Beijing, 100818, PRC.

There are no potential conflicts of interest between any duties to the Bank of the directors listed above and their private interests or other duties.

Board of Supervisors

The following table sets forth certain information concerning members of the Bank’s Supervisors.

Name	Position
Li Jun	Chairman
Wang Xueqiang	Shareholder Supervisor
Liu Wanming	Shareholder Supervisor
Deng Zhiying	Employee Supervisor
Liu Xiaozhong	Employee Supervisor
Xiang Xi	Employee Supervisor
Mei Xingbao	External Supervisor

Li Jun, has served as the Chairman of the Board of Supervisors of the Bank since March 2010 and Vice Party Secretary of the Bank since December 2009. Mr. Li served in several positions in Bank of Communications, including Vice Chairman of the Board of Directors and President from September 2006 to December 2009, Executive Vice President from November 2000 to August 2006, Executive Director from June 2000 to December 2009, Controller General from April 1998 to April 2001, and Vice President and President of the Wuhan Branch of Bank of Communications from October 1990 to April 1998. Mr. Li has the qualification of senior economist. He received a Master’s degree in Economics from Huazhong University of Science and Technology in 1995.

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

Liu Wanming, has served as the Shareholder Supervisor of the Bank since August 2004. From November 2001 to August 2004, Mr. Liu was designated by the State Council to serve as Director Supervisor and a Deputy Director General Supervisor at Bank of Communications and the Bank. From August 1984 to November 2001, Mr. Liu worked with the National Audit Office, Agricultural Development Bank of China and the Central Financial Working Commission. Mr. Liu received a Bachelor's degree in Economics from Jiangxi University of Finance and Economics in 1984.

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

Liu Xiaozhong, has served as the Employee Supervisor of the Bank since August 2012. Mr. Liu is currently Executive Deputy Director of the Labour Union Working Committee of the Bank. He previously held various positions in the Bank, including General Manager (in charge of SME business) of the Corporate Banking Unit of the Head Office from July 2008 to May 2011, Deputy General Manager of the Credit Management Department of the Head Office, Deputy General Manager of the Risk Management Department of the Head Office, Deputy General Manager and General Manager of the Shaanxi Branch from October 1998 to July 2008. From July 1983 to October 1998, he was cadre and Deputy Director of the Aerospace Industry Ministry, Deputy Director and Director of Aerospace Materials Supply and Marketing Corporation, Deputy Manager of the Fixed Assets Investment Department and Deputy Director General of the Capital Construction Bureau of Aerospace Industry Corporation. Mr. Liu graduated from the Glass Fiber Reinforced Plastics Department of Harbin Construction Engineering College in 1983.

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

Mei Xingbao, has served as the External Supervisor of the Bank since May 2011. Mr. Mei is now a member of the 12th CPPCC National Committee and serves as independent non-executive director of Sino Biopharmaceutical Ltd. From October 2003 to May 2010, Mr. Mei served as Vice President and President of China Orient Asset Management Corporation. He previously served as Vice Mayor of People’s Municipal Government of Zhangjiajie in Hunan Province, Deputy Director General of Economic and Trade Commission of Hunan Province, Head of the Science and Education Group of the Research Office of the General Office of the CPC Central Committee, Director General of the General Office of the Central Financial Working Commission, and Director General of the Propaganda Department of CBRC. Majoring in agricultural economic management, Mr. MEI graduated from Renmin University of China in 1982 with a Bachelor’s degree in Economics. He obtained his Doctorate in Management from Renmin University of China in 1999.

Senior Management

The following table sets forth certain information concerning members of the Bank’s senior management.

Name	Position
Chen Siqing	Vice Chairman and President
Zhang Lin	Secretary of Party Discipline Committee
Zhu Hexin	Executive Vice President
Zhang Jinliang	Executive Vice President
Ren Deqi	Executive Vice President
Gao Yingxin	Executive Vice President
Xu Luode	Executive Vice President
Xiao Wei	Chief Audit Officer
Geng Wei	Secretary to the Board of Directors

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

Zhang Lin, has been serving as the Bank’s Secretary of the Party Discipline Committee since August 2004. Prior to joining the Bank, Ms. Zhang held various positions in the Export and Import Bank of China, including Executive Assistant President from June 2002 to August 2004 and Deputy Director General and Director General of the Personnel Education Department from August 1998 to July 2002. Majoring in Economics and Political Sciences, Ms. Zhang graduated from the Party School of the Inner Mongolia Autonomous Region’s Communist Party Committee in 1983.

Zhu Hexin, has been serving as Executive Vice President of the Bank since June 2015. Mr. Zhu joined the Bank in March 2015. He worked in Bank of Communications for many years, and held various positions. He served as the Executive Vice President of Bank of Communications from April 2013 to March 2015. From February 2010 to December 2014, he served as the Business Director, and concurrently as the Executive Vice President and President of the Beijing Administrative Department. He also concurrently served as the General Manager of the Corporate Banking Department of Bank of Communications from July 2010 to October 2011, and served as the General Manager of the Beijing Branch of Bank of Communications from November 2011 to December 2014. He obtained a Bachelor’s Degree in Engineering from Shanghai University of Finance and Economics in 1991.

Zhang Jinliang, has been serving as the Bank’s Executive Vice President since July 2014, and General Manager of the Beijing Branch of the Bank since November 2009. After joining the Bank in 1997, Mr. Zhang worked in the Financing and Accounting Department of the Head Office for many years. From October 2003 to February 2007, Mr. Zhang served as Deputy General Manager of the Financing and Accounting Department of the Head Office, and also served as General Manager of the IT Blueprint Implementation Office from March 2005 to February 2007. From February 2007 to November 2009, Mr. Zhang served as General Manager of Financial Management Department of the Head Office. He obtained his Doctorate in Economics from Xiamen University in September 1997. He is a Certified Public Accountant.

Ren Deqi, has been serving as the Bank's Executive Vice President since July 2014. Mr. Ren joined the Bank in May 2014. He worked in CCB served as Deputy General Manager of Credit Approval Department, General Manager of Risk Control Department, General Manager of Credit Management Department, and General Manager of the Hubei Branch of CCB. From October 2013 to May 2014, Mr. Ren served as General Manager of Risk Management Department of CCB. He obtained a Master's Degree in Engineering from Tsinghua University in July 1988.

Gao Yingxin, has been serving as Executive Vice President of the Bank since May 2015. Mr. Gao joined the Bank in 1986 and served as Executive Director of BOC Hong Kong (Holdings) and Bank of China (Hong Kong) Limited as well as the Deputy Chief Executive from February 2005 to March 2015. From July 2004 to February 2005, Mr. Gao served as the President and Chief Operating Officer of BOC International Holdings Limited. From September 1996 to July 2004, Mr. Gao served as the Deputy General Manager of Credit Business Department and Corporate Banking Department, and the General Manager of the Corporate Banking Department of the Head Office of the Bank. He obtained a Master's Degree in Engineering from East China University of Science and Technology in August 1986.

Xu Luode, has been serving as Executive Vice President of the Bank since June 2015. He joined the Bank in April 2015. He served as Chairman of Shanghai Gold Exchange since August 2013 to April 2015. From August 2007 to August 2013, he served as the Vice Chairman of the Board of Directors and President of China UnionPay Limited. Mr. Xu worked in People's Bank of China (PBOC) for a number of years, he served as Director General of the Payment and Settlement Department of PBOC from October 2003 to August 2007, and served as the Deputy General Director of the General Executive Office of PBOC from March 1999 to October 2003. Mr. Xu obtained a Bachelor's Degree in Economics from Hunan College of Finance and Economics in 1983. He holds the title of Senior Accountant.

Xiao Wei, has been serving as the Bank's Chief Audit Officer since November 2014. Mr. Xiao joined the Bank in 1994, and served as General Manager of the Financial Management Department of the Bank from November 2009 to November 2014. Mr. Xiao served as Deputy General Manager of the Beijing Branch of the Bank from May 2004 to November 2009, and also concurrently served as Chief Financial Officer of the Beijing Branch of the Bank from January 2007 to November 2009. He successively served as the Assistant General Manager and the Deputy General Manager of the Asset-and-Liability Management Department of the Bank from December 1999 to May 2004, and also served as temporary Deputy General Manager of the Beijing Branch of the Bank from November 2002 to May 2004. Mr. Xiao has qualification of Senior Accountant. He graduated from Renmin University of China with a Doctorate's Degree in Economics in July 1994.

Geng Wei, has been serving as secretary to the Board of Directors of the Bank since June 2015. Mr. Geng joined the Bank in 2006. He had assumed various positions including the Chief Compliance Officer of the Legal and Compliance Department, Deputy General Manager and Chief Compliance Officer of the Risk Management Unit (Compliance Management), and Deputy General Manager (in charge of the department's work) and Chief Compliance Officer of the Legal and Compliance Department, General Manager of the Board Secretariat. Before joining the Bank, he served various positions of Industrial and Commercial Bank of China including the Deputy Division Head, Division Head and Deputy General Manager of the Legal Affairs Department, and Deputy Director of the Joint Stock Reform Office. Mr. Geng completed his legal studies at Liaoning University, China University of Political Science and Law, and Peking University. He obtained his Doctorate's degree in law from Peking University in 1995.

Board Committees

The Bank's board of directors delegates certain responsibilities to various committees. The Bank's board of directors has set up the Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee, and Connected Transactions Control Committee. These committees are constituted by certain directors and report to the board of directors. As required by the Bank's Articles of Association, each committee must have at least three directors.

SUBSTANTIAL SHAREHOLDERS

Disclosure of Shareholding under H-Share Regulation

Substantial Shareholder Interests

The register maintained by the Bank pursuant to section 336 of SFO, recorded that, as at 31 December 2014, the following corporations had the following interests (as defined in SFO) set opposite their respective names:

Name of shareholder	Capacity	Number of shares held/Number of underlying shares	Type of shares	Percentage in total issued A Shares	Percentage in total issued H Shares	Percentage in total issued share capital
Central Huijin Investment Ltd. ⁽¹⁾	Beneficial owner	188,553,352,005	A	91.93%	–	65.30%
National Council for Social Security Fund PRC	Beneficial owner	7,518,157,041	H	–	8.99%	2.60%
BlackRock, Inc. ⁽²⁾	Interest of controlled corporations	5,924,055,391	H	–	7.08%	2.05%
		544,162,436(S) ⁽⁴⁾	H	–	0.65%	0.19%
JPMorgan Chase & Co. ⁽³⁾	Beneficial owner	1,422,402,689	H	–	1.70%	0.49%
	Investment Manager	827,645,447	H	–	0.99%	0.29%
	Trustee	36,000	H	–	0.00004%	0.00001%
	Custodian	3,915,684,177(P) ⁽⁴⁾	H	–	4.68%	1.36%
	corporation/approved lending agent					
	Total	6,165,768,313	H	–	7.37%	2.14%
		544,162,436(S) ⁽⁴⁾	H	–	0.65%	0.19%
		3,915,684,177(P) ⁽⁴⁾	H	–	4.68%	1.36%

Notes:

- (1) The interest of Central Huijin Investment Ltd. reflects its latest disclosure of interest made pursuant to SFO, which does not reflect its increase in holding of the Bank's A Shares from 2011 to the end of the reporting period.
- (2) BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., which in turn holds the entire issued share capital of BlackRock Financial Management, Inc. Accordingly, BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have the same interests in the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,924,055,391 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. Among the aggregate interest in the long positions of 5,924,055,391 H Shares held by BlackRock, Inc., 18,779,000 H Shares are held through derivatives.
- (3) JPMorgan Chase & Co. holds the entire issued share capital of JPMorgan Chase Bank, N.A. Accordingly, JPMorgan Chase & Co. is deemed to have the same interests in the Bank as JPMorgan Chase Bank, N.A. under the SFO. JPMorgan Chase & Co. holds a long position of 6,165,768,313 H Shares and a short position of 544,162,436 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. Among the aggregate interests in the long position of 6,165,768,313 H Shares, 3,915,684,177 H Shares are held in the lending pool and 524,943,986 H Shares are held through derivatives. Among the aggregate interests in the short position of 544,162,436 H Shares, 524,162,435 H Shares are held through derivatives.
- (4) "S" denotes short position, "P" denotes lending pool.

All the interests stated above represented long positions, except as stated otherwise. Save as disclosed above, as at 31 December 2014, no other interests or short positions were recorded in the register maintained by the Bank under section 336 of SFO.

Controlling Shareholder of the Bank

Central Huijin Investment Ltd. (“**Huijin**”) is a state-owned company established under the Company Law of the PRC. Established on 16 December 2003, Huijin has a registered capital of RMB828.209 billion and paid-in capital of RMB828.209 billion. The current legal representative is Mr. Ding Xuedong. The organisation code of Huijin is 71093296-1. Wholly-owned by China Investment Corporation, Huijin makes equity investments in key state-owned financial institutions, as authorised by the State. To the extent of its capital contribution, Huijin exercises the rights and fulfils the obligations as an investor on behalf of the State Council, in accordance with applicable laws aimed at preserving and enhancing the value of state-owned financial assets. Huijin neither engages in other business activities nor intervenes in the daily operation of the key state-owned financial institutions under its control. As at 31 December 2014, the Bank does not have any other institutional shareholders holding at least 10% of the total shares of the Bank (not including Hong Kong Securities Clearing Company Ltd.).

CONNECTED TRANSACTIONS

The Bank currently engages in, and expect from time to time in the future to engage in, financial and commercial transactions with its connected parties. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable listing rules. For the years ended 2012, 2013 and 2014, the Bank had no significant connected transactions.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on laws and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

People's Republic of China

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

(I) In the event that the Issuer is the Bank's head office (the "BOC Head Office")

Pursuant to the Enterprise Income Tax Law promulgated on 16 March 2007 and effective on 1 January 2008 and the PRC Individual Income Tax Law, as amended on 30 June 2011, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

In the event that the Issuer is BOC Head Office, BOC Head Office will be subject to withhold PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to such arrangement. In addition, the payments on the Notes shall be subject to PRC business tax and surcharges may be deducted at the rate of 5.6 per cent. of, the interest component of the amount payable by BOC Head Office. The Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "Terms and Conditions of the Notes."

Under the Enterprise Income Tax Law and its implementation regulations, any gains realized on the transfer of the Notes by holders who are deemed under the Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realized on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as incomes sourced within the PRC which as a result will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. According to an arrangement between the mainland China and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

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.

(II) In the event that the Issuer is the Hong Kong Branch or other overseas branch of the Bank

In the event that the Issuer is the Hong Kong Branch or other offshore branch of the Bank, the Issuer is not obliged to withhold PRC income tax at the rate up to 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders provided that the payments are made outside of the territory of PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the Issuer will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes. If BOC Head Office shall perform the obligation of paying interest of the Notes in the event and only when the Issuer fails to perform its obligations of paying the interest of the Notes, BOC Head Office will be obliged to withhold PRC income tax at a rate of 10 per cent. (unless a lower rate is available under an applicable tax treaty) of, and PRC business tax and surcharges at the rate of 5.6 per cent. of, the interest component of the amount payable by BOC Head Office to the Noteholders if the PRC tax authority views such component as an interest income arising within the territory of the PRC.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the Enterprise Income Tax Law and related implementation regulations in the future, any gains realized by the non-resident Noteholders from the transfer of the Notes may be regarded as being sourced within the PRC and accordingly would be subject to the rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”), interest on the Notes may be subject to profits tax if it is received by or accrued to:

- a corporation, other than a financial institution (as defined in the Inland Revenue Ordinance), carrying on a trade, profession or business in Hong Kong and where such interest is derived from Hong Kong;
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business and where such interest is derived from Hong Kong; or
- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrued are made available outside Hong Kong.

Sums derived from the sale, disposal or redemption of the Notes will not be subject to profits tax in Hong Kong unless such sale, disposal or redemption is or forms part of the revenue or profits of such trade, profession or business carried on in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired or disposed of, including where such activities were undertaken.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax.

Stamp Duty

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

- such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “**SDO**”)).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- the Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of the consideration or to the value on the contract notes for such sale, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of “interest payment” to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

FATCA

Whilst the Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

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**”).

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

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

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

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

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Clearing Systems

DTC

DTC is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the clearance and settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealer, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealer, Inc. Access to the DTC System is also available to others such as securities brokers and dealer, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has a reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Transfer Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for its customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU Service

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Series of Notes represented by a Global Note Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Note Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Note Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Note Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Note Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Note Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Global Notes Certificate

Transfers of any interests in Notes represented by a Global Note Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note Certificate to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Note Certificate accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Note Certificate accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Paying Agent and the DTC Custodian with whom the relevant Registered Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between Participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Paying Agent and the DTC Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear, the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes Certificate or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TRANSFER RESTRICTIONS

Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period as defined in Regulation S, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
 - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
 - (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
 - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
 - (b) to the Issuer; or
 - (c) in the case of Unrestricted Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, in each case in accordance with any applicable securities laws of any State of the United States;
- (iii) it understands that the Issuer, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify the Issuer.

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 5 (*Form of Transfer Certificate*) to the Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under “*Forms of the Notes*”.

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 5 (*Form of Transfer Certificate*) to the Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

Rule 144A Notes

Each purchaser of Restricted Notes in reliance on Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of its affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions applicable to the Restricted Notes;
- (iii) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES.

- (iv) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (v) the purchaser understands that the Issuer, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify the Issuer.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with CBRC and PBOC acting as the principal regulatory authorities. CBRC is primarily responsible for supervising and regulating banking institutions, and PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC banking industry consist principally of the PRC PBOC Law, the PRC Commercial Banking Law, the Law of PRC on Supervision and Administration of Banking Sector, and rules and regulations promulgated thereunder.

Principal Regulators

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions.

CBRC

Functions and Powers

CBRC is the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Supervision and Administration of Banking Sector, the main responsibilities of CBRC include:

- (1) formulating and promulgating rules and regulations governing banking institutions and their business activities;
- (2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;
- (3) regulating the business activities of banking institutions, including the products and services they offer;
- (4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;
- (5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;
- (6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;
- (7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;
- (8) imposing corrective and punitive measures for violations of applicable banking regulations;
- (9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;
- (10) working with authorities (including the PBOC and the Ministry of Finance);
- (11) to establish emergency disposal mechanisms and to deal with any emergencies in the banking sector;
- (12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and
- (13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

Examination and Supervision

CBRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. CBRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, CBRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, PBOC is empowered to:

- (1) formulate and implement monetary policies by establishing benchmark interest rates, setting the deposit reserve ratios for banks, extending loans to commercial banks, accepting discounted bills and conducting open market operations;
- (2) issue PRC treasury bills and other government bonds to financial institutions, as the agent of the MOF;
- (3) issue the currency of Renminbi and regulate the flow of Renminbi;
- (4) regulate the inter-bank lending market, inter-bank bond market and inter-bank foreign exchange market;
- (5) set foreign exchange rate policies and manage the PRC's foreign exchange reserves and gold reserves;
- (6) manage the state treasury;
- (7) maintain the normal operation of payment and settlement systems;
- (8) carry out foreign exchange administration and regulate inter-bank foreign exchange market;
- (9) establish anti-money laundering guidelines and monitor fund transfers to ensure that such transfers are in compliance with anti-money laundering regulations;
- (10) act as the central bank of the PRC to conduct relevant international financial activities; and
- (11) collect statistics of, investigate, analyse and forecast the financial industry.

Other Regulatory Authorities

In addition to CBRC and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE, CSRC, CIRC and NDRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC; and in conducting bancassurance business, banks are subject to the regulation of CIRC; and in issuing the notes overseas by the domestic banks, the domestic banks are subject to the regulation of NDRC.

Regulations Regarding Capital Adequacy

Capital Adequacy Guidelines

In June 2012, the CBRC issued the CBRC Measures regulating CARs of PRC commercial banks. The CBRC Measures, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of “capital” and “risk-weighted assets”. The overall CAR requirements are 11.5 per cent. for systematically important commercial banks and 10.5 per cent. for other commercial banks. Commercial banks in the PRC are required to have a CAR of not less than 8 per cent., Tier 1 CAR of not less than 6 per cent. and Common Equity Tier 1 CAR of not less than 5 per cent. The CARs are calculated in accordance with the CBRC Measures as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital - deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital - deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Common Equity Tier 1 Capital Adequacy Ratio} = \frac{\text{Common Equity Tier 1 Capital - deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

In November 2012, the CBRC further released the Guiding Opinion on Commercial Banks’ Innovation on Capital Instruments (the “**2012 Guiding Opinions**”), setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments.

In addition, the CBRC Measures requires that commercial banks meet regulatory requirements on capital adequacy ratios as set forth in these Measures before the end of 2018. On 30 November 2012, the CBRC issued (“**Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation**”) of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), which requires the satisfaction by systematically important commercial banks and other banks of CAR requirements by the end of 2013, 2014, 2015, 2016, 2017 and 2018 respectively.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong, Macau and countries in the Association of Southeast Asian Nations. On 17 June 2010, 24 August 2011 and 3 February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades* (關於擴大跨境貿易人民幣結算試點有關問題的通知), the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* (關於擴大跨境貿易人民幣結算地區的通知) and the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together as “**Circulars**”). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, but the relevant provincial government and the government of a municipality separately listed on the state plans maintain with PBOC and five other PRC authorities (the “**Six Authorities**”) a list of key enterprises subject to supervision (the “**Supervision List**”).

On 5 July, 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 1 November 2014, PBOC promulgated the *Circular on Matters concerning Centralized Cross-Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups* (關於跨國企業集團開展跨境人民幣資金集中運營業務有關事宜的通知) (the “**2014 PBOC Circular**”). According to the 2014 PBOC Circular, a qualified multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for the entire group (without such cash pooling arrangements, the relevant payments and receipts would generally need to be processed individually and cannot be netted off against each other). The 2014 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (“**Shanghai FTZ**”) may irrevocably opt to participate in the local scheme in the Shanghai FTZ and file with the Shanghai Head Office of PBOC.

As new regulations, the Circulars, the 2013 PBOC Circular and the 2014 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Settlement of capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

In respect of Renminbi foreign direct investments (“**FDI**”), PBOC promulgated the *Administrative Measures on Renminbi Settlement of Foreign Direct Investment* (外商直接投資人民幣結算業務管理辦法) (the “**PBOC FDI Measures**”) on 13 October 2011 as part of PBOC’s detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI. PBOC further issued the *Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors* (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with PBOC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC (“**MOFCOM**”) promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* (商務部關於跨境人民幣直接投資有關問題的公告) (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify “Renminbi Foreign Direct Investment” and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 11 May 2013, the State Administration of Foreign Exchange of the PRC (國家外匯管理局) (“**SAFE**”) promulgated the *Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors* (外國投資者境內直接投資外匯管理規定) (the “**SAFE Provisions**”), which became effective on 13 May 2013. The SAFE Provisions removed previous approval requirements for foreign investors and foreign invested enterprises in opening of, and capital injections into, foreign exchange accounts, although registration for foreign exchange administration is still required. Moreover, foreign investors are now permitted to use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts, as well as financial regulators).

According to the *Circular on the Reform of the Management of the Foreign Exchange Capital Settlement of Foreign-invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) promulgated by SAFE on 30 March 2015, SAFE has decided to reform the management of foreign exchange capital settlement of foreign-invested enterprises nationwide. The discretionary foreign exchange capital settlement of foreign-invested enterprises refers to the foreign exchange capital in the capital account of foreign-invested enterprises, for which confirmation of rights and interests of monetary contribution by the local bureau of SAFE (or the book-entry registration of monetary contribution by the banks) has been obtained, can be settled at banks based on the actual operational needs of enterprises. The proportion of discretionary foreign exchange capital settlement of foreign-invested enterprises is temporarily determined as 100 per cent.. Concurrent with the implementation of discretionary foreign exchange capital settlement, foreign-invested enterprises may still choose to use their foreign exchange capital in accordance with the payment-based exchange settlement system.

To support the development of the Shanghai FTZ, the Shanghai Head Office of PBOC issued *the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ* (關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知) (the “**PBOC Shanghai FTZ Circular**”) on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor’s instruction. In respect of FDI in industries that are not on the “negative list” of the Shanghai FTZ, the MOFCOM approval which was previously required has been replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to enterprises in the Shanghai FTZ.

PRC entities are also allowed to borrow Renminbi loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota or approval, and use Renminbi to denominate, or make payments under, security/guarantee with the relevant parties being in the PRC and the other jurisdiction(s) respectively (which is referred to as “**cross-border security**”). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular in terms of cross-border security, outbound loans, etc. and it is unclear how regulators will deal with such inconsistencies in practice.

According to the 2014 PBOC Circular, qualified multinational enterprise groups can extend loans in Renminbi to, or borrow loans in Renminbi from, offshore group entities within the same group by leveraging the cash pooling arrangements (which features a sponsoring enterprise and a settlement bank with international settlement capacity). The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or extend entrusted loans to enterprises outside the group.

Enterprises within the Shanghai FTZ may irrevocably opt to utilise Renminbi cash pooling arrangements to extend inter-company loans pursuant to the PBOC Shanghai FTZ Circular as discussed above. Renminbi funds obtained from financing activities may not be pooled under this arrangement. In addition, according to the PBOC Shanghai FTZ Circular, enterprises in the Shanghai FTZ can borrow Renminbi from offshore lenders within the prescribed limit, while there is no numerical limit for banks in the Shanghai FTZ to borrow offshore Renminbi, although the utilisation has geographic restriction, the interpretation of which is still unclear. The PBOC Shanghai FTZ Circular also allows, in principle, the China Foreign Exchange Trading System to offer trading facility relating to financial instrument denominated in Renminbi to offshore investors, and the Shanghai Gold Exchange to offer trading facility relating to precious metal transactions to offshore investors.

Pilot schemes relating to cross-border Renminbi loans, bonds, or equity investments have also been launched for, among others, enterprises in Shenzhen Qianhai, Jiangsu Kunshan, Jiangsu Suzhou Industrial Park.

The PBOC FDI Measures, the MOFCOM Circular, the SAFE Provisions, the 2014 PBOC Circular and the Shanghai PBOC FTZ Circular, which are relatively new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement (the “**Dealer Agreement**”) dated 6 December 2013, agreed with the Issuer a basis upon which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the “**Issue Price**”), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer has agreed to reimburse the Arrangers certain of their expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealer against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealer to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Series of the Notes, certain persons participating in the offering of the Series may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Series. Specifically such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealer participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the issue date of the relevant Series of Notes.

In connection with each Series of Notes issued under the Programme, the Dealer or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or their respective subsidiaries or affiliates at the same time as the offer and sale of each Series of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Series of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Series of Notes).

Selling Restrictions

United States of America

CATEGORY 1

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

CATEGORY 2

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (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 Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that the Arranger, or any other Dealer, may directly or through its respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to qualified institutional buyers pursuant to Rule 144A.

The Netherlands

For selling restrictions in respect of The Netherlands, see “Public Offer Selling Restriction Under the Prospectus Directive” below and in addition:

- (a) *Specific Dutch selling restriction for exempt offers:* 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 make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in The Netherlands and in reliance on Article 3(2) of the Prospectus Directive, unless:
 - (i) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the “FSA”) and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
 - (ii) standard exemption logo and wording are incorporated in the Pricing Supplement as required by Article 5:20(5) of the FSA; or
 - (iii) such offer is otherwise made in circumstances in which Article 5:20(5) of the FSA is not applicable,

provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an “**offer of Notes to the public**” in relation to any Notes in The Netherlands and (ii) “**Prospectus Directive**” have the meaning given to them below in the paragraph headed “Public Offer Selling Restriction Under the Prospectus Directive”.

- (b) *Compliance with Dutch Savings Certificates Act:* Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein “**Zero Coupon Notes**” are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.”

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive each, a “**Relevant Member State**”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Approved prospectus:* if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified Investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 100 offerees:* at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers:* at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to

purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

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

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, if it was not an authorised person, apply to the Issuer.
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

PRC

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

Hong Kong

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

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (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 and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan

Singapore

Each Dealer has acknowledged 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, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such 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 such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

These selling restrictions may be modified by the agreement of each of the Issuer and the Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

GENERAL INFORMATION

1. Listing

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which Notes may be issued by way of debt issues to professional investors (as defined in the SFO) only. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK\$500,000 (or equivalent in other currencies).

2. Authorisation

The establishment and update of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors and a resolution of the shareholders' meeting of the Bank passed on 24 March 2011 and 27 May 2011 respectively. The Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes.

3. Legal and Arbitration Proceedings

Neither the Issuer nor the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which 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 position or profitability of the Issuer.

4. Significant/Material Change

Since 31 December 2014, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position or prospects of the Issuer.

5. Auditor

The Bank's audited consolidated financial statements as at and for the years ended 31 December 2013 and 2014, which are incorporated by reference in this Offering Circular, have been audited by Ernst & Young, Certified Public Accountants, as stated in its audit reports report appearing therein.

6. Documents on Display

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the registered office of the Issuer at No. 1 Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China and the specified office of the Principal Paying Agent at The Bank of New York Mellon, London Branch, 40th Floor, One Canada Square, London E14 5AL, United Kingdom for so long as the Notes are capable of being issued under the Programme:

- (i) the articles of association of the Bank;
- (ii) the audited consolidated financial statements of the Bank for the years ended 31 December 2013 and 2014, respectively;
- (iii) copies of the latest annual report and audited annual consolidated financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Bank;

- (iv) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Notes and identity);
- (v) a copy of this Offering Circular together with any supplement to this Offering Circular;
- (vi) the Trust Deed (which contains the forms of the Notes in global and definitive form);
- (vii) the Agency Agreement;
- (viii) the Dealer Agreement; and
- (ix) the Programme Manual.

7. Clearing of the Notes

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg, DTC and CMU Service. The appropriate common code, the International Securities Identification Number, CMU instrument number and/or the Committee on the Uniform Security Identification Procedure (“CUSIP”) in relation to the Notes of each Series will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

BANK

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**PRINCIPAL PAYING AGENT, PAYING AGENT IN
RESPECT OF DTC NOTES**

The Bank of New York Mellon
101 Barclay Street
New York, NY10286

**REGISTRAR IN RESPECT OF
NOTES CLEARED THROUGH
EUROCLEAR AND CLEARSTREAM**

**The Bank of New York Mellon
(Luxembourg) S.A.**
Vertigo Building-Polaris
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**REGISTRAR IN RESPECT OF
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**REGISTRAR IN RESPECT OF
CMU NOTES**

**The Bank of New York Mellon,
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**TRANSFER AGENT IN RESPECT
OF NOTES CLEARED THROUGH
EUROCLEAR AND CLEARSTREAM**

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**TRANSFER AGENT IN RESPECT
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**TRANSFER AGENT IN RESPECT
OF CMU NOTES**

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Hong Kong Branch**
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CMU LODGING AND PAYING AGENT

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LEGAL ADVISERS

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*To the Arrangers and
Dealers as to PRC law*

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*To the Issuer as to English
law and New York law*

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Hong Kong

To the Issuer as to PRC law

JunZeJun Law Offices
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Financial Street Centre
9 Financial Street
Xicheng
Beijing 100033
PRC

ANNEX B

ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE DFSA'S MARKETS RULES

DESCRIPTION OF THE BANK

Incorporation Details

The Bank was incorporated as a joint stock limited liability company on 26 August 2004 with company registration number 100000000001349 and has remained incorporated since then.

The Bank's registered office address and principal place of business is No. 1, Fuxingmen Nei Dajie, Beijing 100818, PRC and its contact phone number is +861 066 592 638.

In this Annex, references to: "UAE" are to the United Arab Emirates; "PRC" are to the People's Republic of China; and "CNY" are to the lawful currency of the PRC.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the Bank's substantial shareholder, Huijin (a state-owned entity), owned 65.30% of its outstanding shares. Systems and controls are in place to manage any conflict of interest that might arise between the interests of Huijin and the interests of the Bank and to ensure that their control is not abused. Huijin does not engage in any commercial activity. In addition, Huijin has entered into a non-competition deed with the Bank, pursuant to which Huijin has undertaken, so long as it continues to hold any of the Bank's shares, not to engage or participate in any competing commercial banking activities.

All transactions and relationships between the Bank and its substantial shareholders are conducted on an arm's length basis and on normal contractual terms. The Bank can operate its business independently of its substantial shareholders.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details relating to Directors and Senior Managers

There are no potential conflicts of interest between the personal interests of the directors, members of the Board of Supervisors, and senior managers of the Bank and their duties owed to the Bank or interests of the Bank.

DESCRIPTION OF THE ISSUER

The address of the Issuer is Ground Floor, Mansour Tower, Al Salam Street, P.O. Box 73098, Abu Dhabi, UAE and its contact phone number is +971 240 416 66. The Issuer obtained its commercial license from the Abu Dhabi Chamber on 14 October 2014 and obtained its registration certificate from the UAE Ministry of Economy on 29 October 2014. The Bank operates principally in the PRC, and also has branches and subsidiaries operating outside the PRC. The Issuer is a branch of the Bank in Abu Dhabi, United Arab Emirates. For further details on the group structure, including the branches and the principal subsidiaries of the Bank, please refer to page 82 of Annex A.

The Issuer is authorised and regulated by the China Banking Regulatory Commission and is authorised and regulated in Abu Dhabi by the UAE Central Bank.

Main Products and Services

The Issuer is authorised to provide, amongst other things, the following main products and services (i) accepting deposits in UAE Dirham and in other major currencies (ii) lending and providing credit facilities, (iii) syndicated loans, (iv) project finance services (v) issuing, withdrawing, accepting and endorsing cheques, drafts, coupons, bonds, securities and commercial instruments (vi) foreign exchange services, (vii) UAE Dirham, offshore CNY and clearing services related to other major currencies, and (viii) global trade services.

Details relating to the Senior Management Team of Bank of China Limited, Abu Dhabi Branch

The business address of the general manager of the Issuer is Ground Floor, Mansour Tower, Al Salam Street, P.O. Box 73098, Abu Dhabi, UAE. The general manager of the Abu Dhabi branch is Mr Tian Jun. Mr Tian Jun has been serving as the general manager of the branch since it commenced operations. Mr Tian Jun joined the Bank in 1996 and has held various roles since then, including area manager for the Middle East in the Financial Institutions Department of the Bank's head office, area manager for Africa and Europe in the Financial Institutions Department of the Bank's head office, representative of the Bank's Bahrain office and, the chief representative of the Bank's Dubai Office since 2011. Mr Tian Jun received a Bachelor's degree in Arabic from Beijing Foreign Studies University in 1996 and a Masters in Business Administration from DePaul University in partnership with the Bahrain Institute of Banking and Finance in 2012.

SUMMARY FINANCIAL INFORMATION

Historical Financial Information about the Bank

The audited consolidated financial statements of the Bank as at and for each of the years ended 31 December 2014 and 2013 (the "**Financial Statements**") have been prepared in accordance with International Financial Reporting Standards and audited in accordance with the International Standards on Auditing. The Financial Statements are presented and prepared in a form consistent with that which will be adopted in the Bank's next published annual financial statements having regard to accounting standards and policies, rules and legislation (namely the Rules Governing the Listing of Securities on the HKSE and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong) applicable to such annual financial statements.

Creditworthiness of the Bank

As at the date of this document, the Bank's issuer credit ratings are A/A-1 by Standard & Poor's Hong Kong Limited; the bank deposits ratings are A1/P-1 by Moody's Investors Service Hong Kong Limited; and the long-/short-term issuer default ratings are A/F1 by Fitch Ratings Inc.. The Bank's outlook ratings assigned by the above credit rating agencies were "stable". A rating is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

SUBSCRIPTION AND SALE

Dubai International Financial Centre

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 any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module (version 22/07-13).

United Arab Emirates

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 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.

TAXATION

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 Abu Dhabi 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.

GENERAL INFORMATION

Approval of the Offering Document, Admission to Trading and Listing of Notes

The total expenses relating to the approval of the Offering Document by the DFSA, together with the admission of the Notes issued under the Programme to the official list of securities maintained by the DFSA (first issuance), are estimated to be U.S.\$12,000. The total expenses relating to the admission to trading of the Notes issued under the Programme on NASDAQ Dubai are estimated to be U.S.\$6,500 (first issuance).

Significant/Material Change

Since 31 March 2015, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position or prospects of the Issuer, the Bank or the Group.

Third Party Information

Neither the Bank nor Issuer accepts any responsibility for information produced by Euroclear Bank SA/NV, Clearstream Banking, *société anonyme* and the Depository Trust Company but the Bank and the Issuer confirm that all such information has been accurately reproduced and, so far as the Bank and the Issuer are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Information about Auditors

The current auditor of the Bank is Ernst & Young, Certified Public Accountants registered with the Hong Kong Institute of Certified Public Accountants.

Clearing Systems

Euroclear Bank SA/NV

Boulevard Du Roi Albert Ii 1
Bruxelles, Bruxelles-Capitale 1210
Belgium

Clearstream Banking, *société anonyme*

42 Avenue JF Kennedy

L-1855

Luxembourg

Depository Trust Company

55 Water Street

25th Floor

New York, NY 10041-0099

United States of America

INFORMATION TO BE INCLUDED IN THE FORM OF THE PRICING SUPPLEMENT

Yield

Indication of yield: [●]

Listing and Admission to Trading

Listing and Admission to trading

Application has been made by the Issuer (or on its behalf) for the Notes [(i)] to be admitted to the Official List maintained by the Dubai Financial Services Authority and to trading on NASDAQ Dubai with effect from [●] 2015[(ii) [insert reference to any other stock exchange upon which the Notes are to be listed]]

Estimate of total expenses related to admission to trading: [●]

RECENT DEVELOPMENTS

In November 2014, the PRC government announced that it will set up an infrastructure fund and work with the newly founded Asian Infrastructure Investment Bank to promote the “Belt and Road” initiative. On land, the “Belt and Road” initiative which stretches from Xi’an to Venice and includes Istanbul, Moscow and Rotterdam will focus on jointly building a new Eurasian land bridge and developing the PRC – Mongolia – Russia, PRC – Central Asia – West Asia and PRC – Indochina Peninsula economic corridors. At sea, the “Belt and Road” initiative will focus on jointly building smooth, secure and efficient transport routes connecting major sea ports along the “Belt and Road” route from Fuzhou to Venice, including Jakarta, Colombo and Nairobi.

The Bank believes that the “Belt and Road” initiative will bring significant growth opportunities for the Bank as the initiative is expected to increase trade among and investment to countries involved in this initiative. The Bank believes it is well positioned to benefit from this initiative and has the following strategies:

- Support the initiative: be a “go- to” bank for PRC companies operating along the “Belt and Road”;

- Promote Renminbi internationalisation: be a main channel for cross-border Renminbi business along the “Belt and Road”;
- Expand network coverage: have network coverage in more than half of the countries along the “Belt and Road” either by organic growth or through acquisitions;
- Increase business exposure: extend U.S.\$20 billion in credit to “Belt and Road” related projects and entities in 2015 and targets to lend another U.S.\$100 billion in the next three years.