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You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this 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 forward, deliver or otherwise provide access of this Offering Circular to any other person.

The materials relating to the offering of securities to which this 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 licenced broker or dealer and the relevant Dealer or any affiliate of the relevant Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Bank (as defined in this Offering Circular) in such jurisdiction.

This 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 China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited) (the **Bank**), Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited (the **Arrangers**), Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Citigroup Global Markets Limited, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch (Asia Pacific) Limited and UBS AG Hong Kong Branch (the **Dealers**), any person who controls the Arrangers or the Dealers, any director, officer, employee nor agent of the Bank, the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or 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.

Restrictions: Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Bank, the Arrangers or the Dealers to subscribe or purchase any of the securities described therein. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail 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.



CHINA CITIC BANK INTERNATIONAL LIMITED

(incorporated with limited liability in Hong Kong)

US\$3,000,000,000

Medium Term Note Programme

On 30 November 2007, China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited and CITIC Bank International Limited) (the Issuer or the Bank) established a U.S.\$2,000,000,000 Medium Term Note Programme (the **Programme**) and issued an offering circular on that date describing the Programme. On the date of the Offering Circular, the Issuer increased the aggregate nominal amount of the Programme from US\$2,000,000,000 to US\$3,000,000,000. This Offering Circular supersedes the previous offering circular (including any supplement thereto) issued in respect of the Programme prior to the date hereof. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular.

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed US\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and 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 by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or such Notes. 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 Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a pricing supplement (the **Pricing Supplement**).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that the Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See “Investment Considerations” for a discussion of certain factors to be considered in connection with an investment in the Notes.

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

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

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

1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Arrangers

Citigroup

HSBC

Dealers

Barclays

BBVA

Bank of America Merrill Lynch

CLSA

Citigroup

HSBC

UBS

The date of this Offering Circular is 29 June 2018

To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances which they were made misleading. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issue and offering of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Dealers or the Trustee.

Neither the Arrangers (as specified under “*Summary of the Programme*”), the Dealers nor the Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers, the Trustee or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers, the Dealers or the Trustee that any recipient of this Offering Circular should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers or the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see “*Subscription and Sale*”.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Arrangers, the Dealers and the Trustee

represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area (including the United Kingdom and The Netherlands), Singapore, Japan, Hong Kong, the People's Republic of China and Taiwan. See "*Subscription and Sale*".

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to **US dollars** and **US\$** are to the lawful currency of the United States of America (the **USA** or the **US**), references to **Hong Kong dollars**, **HK dollars** and **HK\$** are to the lawful currency of Hong Kong, references to **Renminbi**, **RMB** and **CNY** are to the lawful currency of the People's Republic of China (the **PRC**), references to **Sterling** and **£** are to the lawful currency of the United Kingdom and references to **EUR**, **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In addition, references to **Macau** are to the Macau Special Administrative Region of the PRC, references to **Mainland China** are to the PRC excluding Hong Kong and Macau and references to **Greater China** are to the PRC including Hong Kong and Macau.

For convenience only and unless otherwise noted, all translations from HK\$ into US\$ in this Offering Circular were made at the rate of HK\$7.75 to US\$1 which is the reference rate used for the audited financial statements of the Bank for the year ended 31 December 2017. No representation is made that the HK dollar amounts referred to in this Offering Circular could have been or could be converted into US dollars at any particular rate or at all.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Offering Circular which contain words or phrases such as **will**, **would**, **aim**, **aimed**, **will likely result**, **is likely**, **are likely**, **believe**, **expect**, **expected to**, **will continue**, **will achieve**, **anticipate**, **estimate**, **estimating**, **intend**, **plan**, **contemplate**, **seek to**, **seeking to**, **trying to**, **target**, **propose to**, **future**, **objective**, **goal**, **project**, **should**, **can**, **could**, **may**, **will pursue** and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for Internet banking services.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT (PROVIDED THAT, IN THE CASE OF ANY TRANCHE OF NOTES TO BE ADMITTED TO TRADING ON A REGULATED MARKET IN THE EUROPEAN ECONOMIC AREA, THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES (AS DEFINED BELOW) OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the published audited financial statements of the Issuer for the two most recent financial years and the most recently published unaudited interim financial results of the Issuer, in each case including any notes thereto; and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of Citibank, N.A., London Branch (the **Principal Paying Agent**) at c/o Ground Floor, 1 North Wall Quay, Dublin 1, Ireland.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject to as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed US\$3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the US dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the US dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in Hong Kong, in each case on the basis of the spot rate for the sale of the US dollar against the purchase of such Specified Currency in the Hong Kong foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the US dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the US dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth the summary consolidated financial and other information of the Bank as at and for the periods indicated. The summary consolidated financial information as at and for the years ended 31 December 2016 and 2017 set forth below is derived from the Bank's audited consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements of the Bank and the notes thereto incorporated by reference in this Offering Circular. Certain items in the consolidated financial statements of the Bank as at and for the years ended 31 December 2016 and 2017 have been aggregated for the purpose of presentation of the summary financial information in the tables below.

The Bank's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017, respectively were prepared in accordance with Hong Kong Financial Reporting Standards (**HKFRSs**). The accounting policies of the Bank have been summarised in note 2 to the Bank's audited consolidated financial statements for the year ended 31 December 2017.

SUMMARY INCOME STATEMENT DATA

	Years ended December 2016 and 2017		
	2016	2017	2017
	HK\$	HK\$	US\$
	(audited)	(audited)	(unaudited)
		(in millions)	
Interest income	7,061.5	8,839.0	1,140.5
Interest expense	(2,932.7)	(3,444.0)	(444.4)
Net interest income	4,128.8	5,395.0	696.1
Non-interest income	2,284.0	2,477.9	319.7
Operating expenses	(2,816.2)	(3,173.7)	(409.5)
Operating profit before impairment	3,596.6	4,699.2	606.3
Impairment losses	(552.9)	(1,422.2)	(183.5)
	3,043.7	3,277.0	422.8
Non-operating income	9.5	10.2	1.3
Profit before taxation	3,053.2	3,287.2	424.1
Income tax	(505.0)	(478.8)	(61.8)
Profit for the year	HK\$2,548.2	HK\$2,808.4	US\$362.3
Earnings per share (HK\$)	0.28	0.30	0.04

SUMMARY FINANCIAL AND OTHER INFORMATION

SUMMARY STATEMENT OF FINANCIAL POSITION DATA

	As at 31 December 2016 and 2017		
	2016	2017	2017
	HK\$	HK\$	US\$
	(audited)	(audited)	(unaudited)
		(in millions)	
Assets			
Cash and balances with banks, central banks and other financial institutions	27,540.4	31,657.9	4,084.9
Placements with and advances to banks, central banks and other financial institutions	22,889.7	47,402.4	6,116.5
Trading assets	5,581.7	5,799.5	748.3
Loans and advances to customers and other accounts	191,286.6	198,986.9	25,675.7
Available-for-sale securities	58,204.3	59,346.7	7,657.6
Property and equipment			
— Investment properties	138.5	132.8	17.1
— Other premises	369.5	373.1	48.1
— Equipment	387.9	514.5	66.4
Tax recoverable	0.2	29.1	3.8
Deferred tax assets	18.2	65.8	8.5
Total Assets	306,417.0	344,308.7	44,426.9
Equity and Liabilities			
Deposits and balances of banks and other financial institutions	5,256.7	5,187.3	669.3
Deposits from customers	235,574.7	271,471.9	35,028.6
Trading liabilities	3,996.4	4,824.5	622.5
Certificates of deposit issued	10,593.5	3,421.8	441.5
Debt securities issued	—	3,584.1	462.5
Current taxation	195.4	497.5	64.2
Deferred tax liabilities	1.5	1.6	0.2
Other liabilities	10,138.9	5,422.6	699.7
Loan capital	8,705.8	6,340.2	818.1
Total Liabilities	274,462.9	300,751.5	38,806.6
Equity			
Share capital	9,366.3	18,404.0	2,374.7

	As at 31 December 2016 and 2017		
	2016	2017	2017
	HK\$	HK\$	US\$
	(audited)	(audited)	(unaudited)
		(in millions)	
Reserves	16,414.4	18,979.9	2,449.0
Total equity attributable to equity shareholders of the Bank	25,780.7	37,383.9	4,823.7
Additional equity instruments	6,173.3	6,173.3	796.6
Total Equity and Liabilities	306,417.0	344,308.7	44,426.9

	At 31 December 2016	At 31 December 2017
OTHER INFORMATION		
Common Equity Tier 1 (CET1) capital ⁽¹⁾	10.8%	14.5%
Tier 1 capital ratio ⁽¹⁾	13.7%	17.1%
Total capital ratio ⁽¹⁾	17.8%	20.3%
Average liquidity maintenance ratio ⁽²⁾	60.8%	N/A
Average liquidity coverage ratio ⁽³⁾	N/A	177.6%
Loans to deposits	74.7%	71.4%
Loans to total assets	60.0%	57.0%
Collective assessment coverage ⁽⁴⁾	0.2%	0.2%
Cost to income	43.9%	40.3%
Return on average assets	0.9%	0.9%
Return on average shareholders' equity	10.3%	10.1%

Notes:

- (1) As at 31 December 2017 and 31 December 2016, the capital adequacy ratio was computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the **HKMA**) for its regulatory purposes and was in accordance with the Banking (Capital) Rules issued by the HKMA.
- (2) The average liquidity maintenance ratio (**LMR**) is calculated based on the arithmetic mean of the average value of the Bank's LMR for each month during the reporting period, which is also computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA. As of 30 September 2017, the Group's average LMR was 59.6%.
- (3) The Group was designated by the HKMA as a Category 1 institution with effect from 1 October 2017. As a result, under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio ("LCR") above the statutory minimum requirement, which superseded the regulatory requirements on the Liquidity Maintenance Ratio ("LMR"). The weighted amount (average value) for the quarter ended 31 December 2017 was 177.6%.
- (4) The ratios represented collectively assessed impairment allowance divided by gross loans and advances.

TIER I AND TIER II CAPITAL BASE — As at 31 December 2017

Capital adequacy ratios (**CARs**) are complied with in accordance with the Banking (Capital) Rules issued by the HKMA. The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the HKMA. The Bank has adopted the “standardised approach” for calculating the risk-weighted amount for credit risk and market risk and the “basic indicator approach” for calculating operational risk.

	Years ended December 2016 and 2017		
	2016	2017	2017
	HK\$	HK\$	US\$
	(audited)	(audited)	(unaudited)
		(in millions)	
CET1 capital: instruments and reserves			
Directly issued qualifying CET1 capital instruments plus any related share premium	9,366.3	18,404.0	2,374.7
Retained earnings	16,259.6	18,728.9	2,416.6
Disclosed reserves	154.9	251.0	32.4
CET1 capital before regulatory deductions	25,780.8	37,383.9	4,823.7
CET1 capital: regulatory deductions			
Deferred tax assets net of deferred tax liabilities	18.2	65.9	8.5
Cash Flow hedging reserve	1.1	—	—
Cumulative fair value gains arising from the revaluation of land and buildings (own use and investment properties)	87.9	84.3	10.9
Regulatory reserve for general banking risks	2,805.4	2,814.5	363.1
Valuation adjustments	7.0	7.1	0.9
Debt valuation adjustments in respect of derivative contracts	1.9	1.3	0.2
Total regulatory deductions to CET1 capital	2,921.5	2,973.1	383.6
CET1 capital	22,859.3	34,410.8	4,440.1
Additional Tier 1 (AT1) capital	6,177.0	6,177.0	797.0
Tier 1 capital	29,036.3	40,587.8	5,237.1
Tier 2 capital: instruments and provisions			
Qualifying Tier 2 capital instruments plus any related share premium	6,044.8	4,687.7	604.9
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	39.5	37.9	4.9
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,431.1	2,732.8	352.6

	Years ended December 2016 and 2017		
	2016	2017	2017
	HK\$	HK\$	US\$
	(audited)	(audited)	(unaudited)
		(in millions)	
Tier 2 capital base before deductions	8,515.4	7,458.4	962.4
Tier 2 capital: regulatory deductions			
Regulatory deductions to Tier 2 capital.....	—	—	—
Tier 2 capital	8,515.4	7,458.4	962.4
Total capital	37,551.7	48,046.2	6,199.5

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer	China CITIC Bank International Limited
	The Issuer is incorporated and licensed in Hong Kong with business operations and presence spanning across Hong Kong, Macau, the PRC, the United States, Singapore and the Cayman Islands. It is wholly owned by CITIC International Financial Holdings Limited, a company incorporated in Hong Kong, which in turn is majority-owned by China CITIC Bank Corporation Limited.
Description:	Medium Term Note Programme.
Arrangers:	Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Citigroup Global Markets Limited, CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch (Asia Pacific) Limited and UBS AG Hong Kong Branch and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
	Notes having a maturity of less than one year
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
Trustee:	Citibank, N.A., London Branch.
Principal Paying Agent, Transfer Agent and Agent Bank:	Citibank, N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
CMU Lodging Agent:	Citibank, N.A., Hong Kong Branch.
Programme Size:	Up to US\$3,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the

amount of the Programme in accordance with the terms of the Programme Agreement.

- Investment Considerations: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Investment Considerations*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Investment Considerations*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
- Distribution: Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
- Currencies: Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
- Redenomination: The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
- Maturities: Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
- Issue Price: Notes may be issued on a fully-paid or (in the case of the Notes other than Subordinated Notes) a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
- Form of Notes: The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
- Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.
- Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:
- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
 - (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service;
 - (c) or on such other basis as may be agreed between the Issuer and the relevant Dealer.

	The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Partly Paid Notes:	The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
Other Notes:	The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or regulatory reasons or pursuant to a winding-up of the Issuer following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.
	The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement.
	Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “ <i>Certain</i>

Restrictions — Notes having a maturity of less than one year” above.

Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “ <i>Certain Restrictions</i> ” above.
Taxation:	<p>All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by Hong Kong, subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.</p> <p>Without prejudice to the Issuer’s obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 7.8.</p>
Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Events of Default for Senior Notes:	Events of default for Senior Notes are set out in Condition 11.1.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 11.1.
Status of the Senior Notes:	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of the Issuer, ranking <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes will rank at least equally with all other unsecured and unsubordinated obligations of the Issuer, present and future, including liabilities in respect of deposits, save for such exceptions as may be provided by applicable legislation and subject to Condition 4.
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. The status of the Subordinated Notes and events of default applicable to Subordinated Notes are set out in Conditions 3.2 and 11.2, respectively. Subordinated Notes do not have the benefit of a negative pledge or cross default provision.
Listing:	Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation

to each Series. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Governing Law:.....	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed will be governed by, and shall be construed in accordance with, English law, except that the provisions of the Notes and the Trust Deed relating to subordination shall be governed by, and construed in accordance with, the laws of Hong Kong.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and The Netherlands), Singapore, Japan, Hong Kong, the PRC and Taiwan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.
United States Selling Restrictions:	Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.
Clearing Systems:.....	The CMU Service, Clearstream, Luxembourg, Euroclear and/or any other clearing system as specified in the applicable Pricing Supplement, see “ <i>Form of the Notes</i> ”.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary bearer global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent bearer global note (a **Permanent Bearer Global Note**, together with any Temporary Bearer Global Note, the **Bearer Global Notes**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the **Common Depositary**) for, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) or (ii) a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the **CMU Service**).

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in “*Terms and Conditions of the Notes*”). On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU lodging Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification

supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice (i), in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii), in the case of Notes held through a sub-custodian for the CMU Service, from the relevant account holders therein to the CMU Lodging Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.

The following legend will appear on all Bearer Global Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.”

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

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

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States (and, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S,

only to non-U.S. persons), will initially be represented by a global note in registered form (a **Registered Global Note**, together with any Bearer Global Note, the **Global Notes**). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear, Clearstream, Luxembourg or the CMU Service and such Registered Global Note will bear a legend regarding such restrictions on transfer.

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

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Trustee, the Principal Paying Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Notes represented by the Registered Global Notes in definitive form or (iii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Registrar or the CMU Lodging Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging Agent, as the case may be.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial

owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable.

General

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or the CMU Service, each person (other than Euroclear and/or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

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

No Noteholder, Receiptholder or Couponholder (as defined under “*Terms and Conditions of the Notes*”) shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 6, 7, 8 (except Condition 8.2), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 19, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

APPLICABLE PRICING SUPPLEMENT

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

[Date]

CHINA CITIC BANK INTERNATIONAL LIMITED

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US\$3,000,000,000
Medium Term Note Programme**

This 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 set forth in the Offering Circular dated 29 June 2018 [and the supplement[s] to it dated [●] [and [●]] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

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

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

[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 29 June 2018 and the supplement dated [date]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular

¹ Include if Item 36 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated 29 June 2018 and are attached hereto.]

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

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

- 1 Issuer: China CITIC Bank International Limited
- 2 (a) Series Number: [●]
- (b) Tranche Number: [●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [date]][Not Applicable]
- 3 Specified Currency or Currencies: [●]
- 4 Aggregate Nominal Amount: [●]
- (a) Series: [●]
- (b) Tranche: [●]
- 5 (a) [Issue Price: [●] per cent, of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (b) [Net Proceeds: [●] *(required only for listed issues)*]
- 6 (a) Specified Denominations: [●] Notes
(N.B. Notes must have a minimum denomination of €100,000 (or equivalent)
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 must have a minimum redemption value of £100,000 (or its equivalent in other currencies). (Note — where multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:
“(€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above €199,000].”)
(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus

*is not required to be published under the Prospectus Directive the €[1,000]/[100,000] minimum denomination is not required.)
(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*

- (b) Calculation Amount: [●] *(If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
- 7 (a) Issue Date: [●]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
- 8 Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]²
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[[LIBOR/EURIBOR/HIBOR] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption] [Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
- 11 Change of Interest Basis or Redemption/Payment Basis: [Applicable/Not Applicable]
[If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
- 12 Put/Call Options: [Investor Put]
[Issuer Call]
(further particulars specified below)
[Not Applicable]
- 13 (a) Status of the Notes: [Senior/[Dated/Undated]Subordinated]
- (b) Date of Board approval for issuance of Notes obtained: [●] [and [●], respectively]]/[None required] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
- (c) Date of regulatory approval [Pre-issuance registration certificate/NDRC approval] dated [●]

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

- for issuance of Notes obtained: from the NDRC³
- 14 Listing: [Singapore/specify other/None]
- 15 Method of distribution: [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
- 16 Fixed Rate Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [●] per cent, per annum [payable in arrear] on each Interest Payment Date *(If payable other than annually, consider amending Condition 6)*
- (b) Interest Payment Date(s): [[●] in each year⁴ up to and including the Maturity Date]/[specify other] (Amend in the case of irregular coupons)
- (c) Fixed Coupon Amount(s) for Notes in definitive form (in relation to Notes in global form – see the Conditions): [●] per Calculation Amount⁵
- (d) Broken Amount(s) for Notes in definitive form (in relation to Notes in global form – see the Conditions): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
- (e) Day Count Fraction: [[30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)⁶] or [specify other]]
- (f) [Determination Date(s): [[●] in each year] [Not Applicable]
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon² N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration² N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (g) Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent): [●]

³ Delete unless the Notes have a maturity of more than one year.

⁴ Note that for certain Hong Kong dollar and Renminbi denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].”

⁵ For Hong Kong dollar and Renminbi 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 [HK\$0.01, HK\$0.005/CNY0.01, CNY0.005] being rounded upwards”

⁶ Applicable to Hong Kong dollar and Renminbi denominated Fixed Rate Notes.

- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
- 17 Floating Rate Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [●] [subject to adjustment in accordance with the Business Day Convention set out in (c) below /, not subject to any adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]
- (b) First Interest Payment Date: [●]
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]] [Not Applicable]
- (d) Additional Business Centre(s): [●]
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (g) Screen Rate Determination:
- Reference Rate: [●] month [LIBOR/EURIBOR/HIBOR/specify other Reference Rate] *(Either LIBOR, EUROBOR or other, although – additional information is required if other, including fallback provisions in the Agency Agreement.)*
 - Interest Determination Date(s): [●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
 - Relevant Screen Page: [●] *(In the case of EURIBOR, if not Reuters EURIBORol ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (h) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (i) Margin(s): [+/-] [●] per cent, per annum

- (j) Minimum Rate of Interest: [●] per cent, per annum
- (k) Maximum Rate of Interest: [●] per cent, per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)] [Actual/360]
[30/360]
[360/360]
[Bond Basis]
[30E/360]
[Eurobond Basis]
[30E/360 (ISDA)]
[Other]
(See Condition 6 for alternatives)
- 18 Zero Coupon Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [●] per cent, per annum
- (b) Reference Price: [●]
- (c) Any other formula/basis of determining amount payable: [●]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8.6(c) and 8.11 apply/specify other] *(Consider applicable day count fraction if not U.S. dollar denominated)*
- 19 Index Linked Interest Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [Give or annex details]
- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [●]
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Specified Period(s)/Specified Interest Payment Dates: [●]
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): [●]
- (g) Minimum Rate of Interest: [●] per cent, per annum

- (h) Maximum Rate of Interest: [●] per cent, per annum
- (i) Day Count Fraction: [●]
- 20 Dual Currency Interest Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
 - (a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
 - (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [●]
 - (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
 - (d) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

- 21 Issuer Call: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
 - (a) Optional Redemption Date(s): [●]
 - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
 - (c) If redeemable in part:
 - (i) Minimum Redemption Amount: [●] per Calculation Amount
 - (ii) Maximum Redemption Amount: [●] per Calculation Amount
 - (d) Notice period (if other than as set out in the Conditions): [●] (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)
- 22 Investor Put: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
 - (a) Optional Redemption Date(s): [●]
 - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]

- (c) Notice period (if other than as set out in the Conditions): [●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*
- 23 Final Redemption Amount: [●] per Calculation Amount/specify other/see Appendix]
- 24 Early Redemption Amount payable on redemption for taxation reasons or regulatory reasons or on event of default: [●] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes: [Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
 [Bearer Notes: Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
 [Bearer Notes: Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
 [Registered Notes: Registered Global Note ([●] nominal amount)]
(Ensure that this is consistent with the wording in the "Form of the Notes " section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options for Bearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including[€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes.)
- 26 Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details] *(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16(b), 17(d) and 19(f) relate)*
- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes in Bearer form [Yes/No. If yes, give details]

(and dates on which such Talons mature):

- 28 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. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]
- 29 Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
- 30 Redenomination applicable: Redenomination [not] applicable (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
- 31 Payment of US Dollar Equivalent⁷ [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)

In respect of Notes denominated in Renminbi, notwithstanding all other provisions in the Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of Notes when due in Renminbi in Hong Kong, the Issuer shall, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in US dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount.

In such event, payments of the US Dollar Equivalent of the relevant principal or interest in respect of the Notes denominated in Renminbi shall be made in accordance with the Conditions applicable for payment of U.S. dollars.

In the event of a payment pursuant to this paragraph 31, the following modification shall be made in respect of the Conditions:

The definition of "*Payment Day*" in Condition 7.6 in relation to any sum payable in Renminbi, shall mean a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in the relevant place of presentation and on which foreign exchange transactions may be carried out in US dollars in New York City.

⁷ Applicable to Notes denominated in Renminbi.

In this paragraph 31:

Determination Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City.

Determination Date means the day which is two Determination Business Days before the due date of the relevant amount under the Conditions.

Governmental Authority means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong.

Illiquidity means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers.

Inconvertibility means the occurrence of any event that makes it impossible (where it had previously been possible) for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after [pricing date] and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

Non-transferability means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after [pricing date] and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

Renminbi Dealer means an independent foreign exchange dealer of international reports active in the Renminbi exchange market in Hong Kong.

Spot Rate means the CNY/U.S. Dollar official fixing rate, expressed as the amount of CNY per one U.S. Dollar, for settlement in two Determination Business Days reported by the Treasury Markets Association which appears on Reuters page

<CNHFIX> at approximately 11:15 a.m. (Hong Kong time).

If such rate is not available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

US Dollar Equivalent means the Renminbi amount converted into US dollars using the Spot Rate for the relevant Determination Date.

In respect of Notes denominated in Renminbi and cleared through CMU, the CMU Lodging Agent shall act as the Calculation Agent, notwithstanding any other provisions of this Pricing Supplement or the Conditions, in the event of any Inconvertibility, Non-transferability or Illiquidity relating to such Notes.

In respect of Notes denominated in Renminbi and cleared through Euroclear/Clearstream, the Principal Paying Agent shall act as the Calculation Agent, notwithstanding any other provisions of this Pricing Supplement or the Conditions, in the event of any Inconvertibility, Non-transferability or Illiquidity relating to such Notes.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph 31 by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

32 Other terms or special conditions:

[A new Condition 4.2 will be deemed to be inserted after Condition 4 (Negative Pledge (Senior Notes Only)) and shall read as follows:

“4.2 Reporting Covenants

In relation to each Tranche of Notes, the Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC (NDRC) the requisite information and documents within 10 PRC Business Days (as defined below) after the relevant Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings

and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the **NDRC Post-issue Filing**).

The Issuer shall complete the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Notes.

For the purposes of this Condition:

PRC Business Day means a day on which commercial banks are open for business in the PRC.”⁸

[give other details]

DISTRIBUTION

- | | | |
|----|---|---|
| 33 | (a) If syndicated, names of Managers: | [Not Applicable/give names] |
| | (b) Stabilisation Manager(s) (if any): | [Not Applicable/give name] |
| 34 | If non-syndicated, name of relevant Dealer: | [Not Applicable/give name] |
| 35 | U.S. Selling Restrictions: | [Reg. S Category 1/2]; TEFRA D/TEFRA C/TEFRA not applicable] |
| 36 | Additional selling restrictions: | [Not Applicable/give details] |
| 37 | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable]
(if the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.) |

OPERATIONAL INFORMATION

- | | | |
|----|--|---|
| 38 | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [CMU/Not Applicable/give name(s) and number(s)] |
| 39 | Delivery: | Delivery [against/free of] payment |
| 40 | Additional Paying Agent(s) (if any): | [●] |
| | ISIN: | [●] |
| | Common Code: | [●] |
| | Legal Entity Identifier: | [●] |

⁸ Delete unless the Notes have a maturity of more than one year.

(insert here any other relevant codes such as a CMU instrument number)

[LISTING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the US\$3,000,000,000 Medium Term Note Programme of China CITIC Bank International Limited.]

RESPONSIBILITY

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

The Singapore Exchange Securities Trading Limited (the **SGX-ST**) assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The approval in-principle from, and the admission of the Notes to the Official List of, the SGX-ST are not to be taken as indications of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or the Notes.

Signed on behalf of the Issuer:

By:

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Pricing Supplement” for a description of the contents of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by China CITIC Bank International Limited (the **Issuer**) pursuant constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 30 November 2007 made between the Issuer and Citibank, N.A., London Branch (the **Trustee**, which expression shall include any successor as Trustee).

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

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the currency specified herein or, if none is specified, the currency in which the Notes are denominated (the **Specified Currency**);
- (b) any Global Note in bearer form (each a **Bearer Global Note**);
- (c) any Global Notes in registered form (each a **Registered Global Note**);
- (d) any definitive Notes in bearer form (**Definitive Bearer Notes**, together with the Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (e) any definitive Notes in registered form (**Definitive Registered Notes**, together with the Registered Global Notes, the **Global Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 30 November 2007 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent), Citibank, N.A., Hong Kong Branch as CMU lodging agent (the **CMU Lodging Agent**, which expression shall include any successor CMU lodging agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citigroup Global Markets Europe AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions (the **Conditions**), all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the 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 Agent and all such references shall be construed accordingly.

Interest-bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplements the Conditions and to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

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

The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices (as set out in the applicable Pricing Supplement).

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

1 Form, Denomination and Title

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

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

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note, an Undated Subordinated Note or a Dated Subordinated Note, as indicated in the applicable Pricing Supplement.

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**), each person (other than Euroclear or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrar, the Trustee and the Transfer Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, any Paying Agent, the Registrar, the Trustee and any Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder and holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

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

2 Transfers of Registered Notes

2.1 Transfers of interests in Registered Global Notes

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

2.2 Transfers of Definitive Registered Notes

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered

Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for partial redemption.

2.4 Costs of registration

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

2.5 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note and (ii) during the period of seven days ending on (and including) any Record Date.

2.6 Exchanges and transfers of Definitive Registered Notes generally

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

3 Status of the Notes

3.1 Status of the Senior Notes

The Notes the status of which is specified in the applicable Pricing Supplement as Senior (the **Senior Notes**) and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 4) 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 Senior Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations including liabilities in respect of deposits.

3.2 Status of the Subordinated Notes

This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as being either Dated Subordinated Notes or Undated Subordinated Notes. Undated Subordinated Notes and Dated Subordinated Notes are together referred to in the Conditions as **Subordinated Notes**.

3.2.1 Provisions relating to Dated Subordinated Notes

If the Notes are specified as Dated Subordinated Notes in the applicable Pricing Supplement, the Dated Subordinated Notes and the relative Receipts and Coupons constitute direct, unconditional, unsecured and, in accordance with this Condition 3.2(a), subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves.

In the event of the Winding-Up of the Issuer, the claims of the Trustee, the Noteholders, the Receiptholders and the Couponholders against the Issuer in respect of the Dated Subordinated Notes and the relative Receipts and Coupons will be subordinated in right of payment to the

claims of depositors and all other unsubordinated creditors of the Issuer and will rank at least *pari passu* in right of payment with all other Subordinated Indebtedness, present and future, of the Issuer in the manner provided in the Trust Deed. Claims in respect of the Notes will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or are expressed to rank in right of payment junior to the Notes and of all classes of equity securities of the Issuer. Any amounts paid to the Trustee in the Winding-Up of the Issuer as aforesaid will be held on trust for distribution in satisfaction of the claims of unsubordinated creditors to the extent (if any) not fully paid and thereafter in or towards payment of the amounts due under the Dated Subordinated Notes and the relative Receipts and Coupons. For these purposes, **Subordinated Indebtedness** means all indebtedness which is subordinated, in the event of the winding-up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent.

The provisions of this Condition 3.2(a) apply only to the principal and interest in respect of the Dated Subordinated Notes and nothing in this Condition 3.2(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

3.2.2 Provisions relating to Undated Subordinated Notes

If the Notes are specified as Undated Subordinated Notes in the applicable Pricing Supplement, the Undated Subordinated Notes and any relative Receipts and Coupons are direct, unsecured and subordinated obligations of the Issuer, conditional as described below and rank *pari passu* without any preference among themselves.

The rights of the holders of the Undated Subordinated Notes and any relative Receipts and Coupons will, in the event of the Winding-Up (as defined in Condition 11.2) of the Issuer, be subordinated in right of payment to the claims of Prior Creditors. In the event of the Winding-Up of the Issuer, there shall be payable by the Issuer in respect of each Undated Subordinated Note (in lieu of any other payment by the Issuer), but subject as provided in this Condition, such amount, if any, as would have been payable to the Noteholder thereof if, at the close of business on the day prior to the commencement of the Winding-Up of the Issuer and thereafter, such Noteholder were the holder of a class of fully paid, validly issued preference shares in the capital of the Issuer having a preferential right to a return of assets in the Winding-Up of the Issuer over the holders of all issued shares (including for this purpose other preference shares issued) for the time being in the Issuer's capital on the assumption that such preference share was entitled to receive on a return of assets in such Winding-Up of the Issuer an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share) equal to the principal amount of such Undated Subordinated Note together with Arrears of Interest, if any, and accrued interest as provided below.

The Issuer's obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon the Issuer being able to make such payment and remain Solvent immediately thereafter.

For the purposes of this Condition, **Solvent** and **Solvency** means that the Issuer:

- (i) is able to pay its debts as they fall due; and
- (ii) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of Primary Capital Indebtedness).

The Trust Deed contains provisions requiring a certificate as to the Solvency of the Issuer to be signed by (i) two directors of the Issuer or, (ii) in certain circumstances as provided in the Trust Deed, the Auditors or, (iii) if the Issuer is in Winding-Up, the liquidator of the Issuer to be delivered to the Trustee prior to any payment of principal or interest and also prior to the purchase of any Undated Subordinated Notes beneficially by or for the account of the Issuer or any of its Subsidiaries. Any such certificate or report shall be treated and accepted by the Issuer, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence of such Solvency.

In these Conditions, the following expressions have the following meanings:

Assets means the unconsolidated gross assets of the Issuer and **Liabilities** means the unconsolidated gross liabilities (including contingent liabilities) of the Issuer, all as shown in the latest published balance sheet having the benefit of an unqualified Auditors' report, but with such adjustments as the Auditors or, if the Issuer is in Winding-Up, the liquidator shall determine;

Auditors means the independent certified public accountants for the time being of the Issuer;

Primary Capital Indebtedness means (i) any money payable under the Undated Subordinated Notes and (ii) Undated Subordinated Indebtedness, the right to payment by the Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a Winding-Up of the Issuer to the claims of all or any of the creditors of the Issuer (including all or any of the creditors in respect of the Undated Subordinated Indebtedness) so that it ranks *pari passu* with, or junior to, claims against the Issuer in respect of (i) undated subordinated notes or (ii) undated subordinated guarantees or is required by the terms of any agreement herebefore or hereafter entered into by the Issuer to be so subordinated but is not so subordinated;

Prior Creditors means creditors of the Issuer (including creditors in respect of the principal and interest payable in respect of notes issued or guaranteed by the Issuer which do not constitute Primary Capital Indebtedness) except creditors in respect of Primary Capital Indebtedness;

Undated Subordinated Indebtedness means any liability of the Issuer howsoever arising for the payment of money (including (i) the principal and interest payable in respect of dated subordinated notes, (ii) the principal and interest payable in respect of undated subordinated notes, (iii) any amounts payable by the Issuer under dated subordinated guarantees and (iv) any amounts payable by the Issuer under undated subordinated guarantees) the right to payment of which by the Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a Winding-Up of the Issuer to the claims of all or any of the creditors; and

Subsidiary a subsidiary or subsidiary undertaking of the Issuer whose affairs are for the time being required to be fully consolidated in the consolidated accounts of the Issuer.

3.2.3 Set-off

Subject to applicable law, no Noteholder, Receiptholder or Couponholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes, the relative Receipts or the Coupons and each Noteholder, Receiptholder and Couponholder shall, by virtue of being the holder of any Subordinated Note, Receipt or Coupon, be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Noteholder, Receiptholder or Couponholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Notes, other than in accordance with this Condition 3.2, such Noteholder, Receiptholder or Couponholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the winding up of the Issuer for distribution and each Noteholder, Receiptholder or Couponholder, by virtue of becoming a holder of any Subordinated Note, Receipt or Coupon, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsubordinated creditors of the Issuer for good consideration.

4 Negative Pledge (Senior Notes Only)

So long as any of the Senior Notes and the relative Receipts or Coupons remains outstanding (as defined in the Trust Deed) the Issuer will not create or permit to subsist, and will procure that no Subsidiary of the Issuer creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (**Security**) upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes are, to the satisfaction of the Trustee, (a) secured equally and rateably therewith or benefit from a guarantee or indemnity that is secured equally and rateably therewith, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of this Condition, **International Investment Securities** means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Hong Kong.

5 Redenomination

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders but after prior consultation with the Trustee, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and/or as applicable, the CMU Service and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the

Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent and the Trustee may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
 - (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note

shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding; and

- (g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (h) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Principal Paying Agent and the Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest-bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the functioning of the European Union, as amended.

6 Interest

6.1 Interest on Fixed Rate Notes

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

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

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

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

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (c) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365.

In these Conditions:

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

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

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

6.2.1 Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency

deposits) in London and each Additional Business Centre (other than the TARGET2 System (as defined below)) specified in the applicable Pricing Supplement;

- (b) if the TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively), (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open and (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

6.2.2 Rate of Interest

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

- (a) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

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

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

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

(b) Screen Rate Determination for Floating Rate Notes

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

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR or HIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

6.2.3 Minimum Rate of Interest and/or Maximum Rate of Interest

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

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

6.2.4 Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant

Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless (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 Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D2 will be 30.

6.2.5 Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed by no later than the first day of each Interest Period and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

6.2.6 Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest (or shall, at the expense of the Issuer, appoint an agent on its behalf to do so) at such rate as, in its absolute discretion (having such regard to the foregoing provisions of this Condition and the terms of the applicable Pricing Supplement, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

6.2.7 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or,

if applicable, the Trustee, shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

6.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

6.5 Accrual of interest

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

6.6 Deferral of interest on Undated Subordinated Notes

Where during the 12 calendar months preceding a date on which interest is due to be paid in respect of the Undated Subordinated Notes no dividend has been declared or paid on any class of share capital of the Issuer, such due date shall be referred to as an **Optional Interest Payment Date**.

The Issuer may if it so elects, but shall not be obliged to, pay on any Optional Interest Payment Date the interest that is due to be paid on such date in respect of the Undated Subordinated Notes and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest not paid on an Optional Interest Payment Date shall (except to the extent such interest shall subsequently have been paid) constitute **Arrears of Interest**.

In relation to the Undated Subordinated Notes, Arrears of Interest may, prior to the commencement of the Winding-Up of the Issuer, be paid in whole or in part upon the expiration of not less than seven days' notice given to the holders of the Notes in accordance with Condition 15, but payment in respect of Interest Periods during which Arrears of Interest have accrued shall be made taking the earliest Interest Period first. Arrears of Interest shall otherwise only become payable on (i) the due date for repayment of the Undated Subordinated Notes to which such Arrears of Interest relate, (ii) the date on which any declaration or payment of any dividend on any class of share capital of the Issuer is made or (iii) the commencement of the Winding-Up of the Issuer (except for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by the Trustee or by an Extraordinary Resolution of Noteholders or which is permitted under Condition 16.3 or Condition 17.

If notice is given by the Issuer of its intention to pay any Arrears of Interest, the Issuer shall be obliged to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

The Issuer shall give notice in accordance with Condition 15:

- (1) not more than 30 days nor less than seven days prior to any Optional Interest Payment Date in respect of which it will elect not to make any payment of interest in accordance with the above provisions, of such election; and
- (2) of any date on which Arrears of Interest shall have become payable.

7 Payments

7.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

7.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes not held in CMU will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes not held in CMU, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in CMU (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

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

In relation to any Undated Subordinated Note in definitive form, if any payment is to be made in respect of interest the Interest Payment Date for which falls on or after the date on which the Winding-Up of the Issuer is deemed to have commenced, such payment shall be made only against presentation of the relevant Note, Receipt and the Coupon for any such Interest Payment Date. In addition, any Undated Subordinated Note in definitive form presented for payment after an order is made or an effective resolution is passed for the Winding-Up of the Issuer must be presented together with all Coupons in respect of Arrears of Interest relating to Interest Payment Dates falling prior to such commencement of the Winding-Up of the Issuer, failing which there shall be withheld from any payment otherwise due to the holder of such Undated Subordinated Note such proportion thereof as the Arrears of Interest due in respect of any such missing Coupon bears to the total of the principal amount of the relevant Undated Subordinated Note, all Arrears of Interest in respect thereof and interest (other than Arrears of Interest) accrued on such Undated Subordinated Note in respect of the Interest Accrual Period current at the date of the commencement of the Winding-Up.

7.3 Payments in respect of Bearer Global Notes

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

7.4 Payments in respect of Definitive Registered Notes and Registered Global Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Definitive Registered Note and each Registered Global Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered Note or Registered Global Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes in registered form maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through the CMU Service, the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in Hong Kong.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Definitive Registered Note and each Registered Global Note will be made on the due date to the Designated Account of the holder (or the first named of joint holders) of the Note in registered form appearing in the Register (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through the CMU Service, the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and on the fifteenth day (in the case of a currency other than Renminbi) (whether or not

such fifth day or fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Note in registered form, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Notes in registered form which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Note in registered form on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Note.

No commissions or expenses shall be charged to the holder by the Registrar in respect of any payments of principal or interest in respect of Notes in registered form.

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

7.5 General provisions applicable to payments

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

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only the relevant place of presentation;
 - (ii) London;
 - (iii) each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Pricing Supplement;
- (b) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and
- (c) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively), (B) in relation to any sum payable in euro, a day on which the TARGET 2 System is open or (C) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.6); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed, and any Arrears of Interest (if applicable).

7.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

8 Redemption and Purchase

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) which is not an Undated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date. If this Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 8 or Condition 11.

8.2 Redemption for tax reasons

Subject (in the case of Subordinated Notes) to Condition 8.12, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) in the case of Subordinated Notes, a copy of the written consent of the HKMA as referred to in Condition 8.12; and the Trustee shall be entitled to accept the

certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 6.6.

8.3 Redemption of the Undated and/or Dated Subordinated Notes for regulatory reasons

Subject to Condition 8.12, the Undated Subordinated Notes and/or the Dated Subordinated Notes, as the case may be, may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable) following the occurrence of a Regulatory Redemption Event.

For the purposes of this Condition 8.3, a **Regulatory Redemption Event** occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 8.3 that the Undated and/or Dated Subordinated Notes, after having qualified as such, will no longer qualify (in whole but not in part) as Tier 2 Capital (or equivalent) of the Issuer as a result of amendments to the relevant provisions of the Banking Ordinance (Cap.155) of Hong Kong, Banking (Capital) Rules (Cap. 155L), Banking (Capital) (Amendment) Rules 2012, or any successor legislation, or any statutory guidelines issued by the Hong Kong Monetary Authority or any successor thereto (the **HKMA**) in relation thereto, after the Issue Date (excluding for the avoidance of doubt, non-qualification (a) solely by virtue of the Issuer already having on issue securities with an aggregate principal amount up to or in excess of the limit of Tier 2 Capital (or equivalent) as permitted from time to time by the HKMA or (b) solely as a result of any discounting requirements as to the eligibility of the Undated and/or Dated Notes for such inclusion pursuant to the relevant legislation and statutory guidelines in force from time to time) provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Regulatory Redemption Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 8.3, the Issuer shall deliver to the Trustee (i) 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 to redeem have occurred and (ii) a copy of the written consent of the HKMA; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.3 will be redeemed at the Early Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant date fixed for redemption and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 6.6.

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

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

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and 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 date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 6.6. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or the CMU Service (as appropriate), (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Calculation Amount. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.4 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

8.5 Redemption at the option of the Noteholders other than holders of Undated Subordinated Notes (Investor Put)

If this Note is a Senior Note or a Dated Subordinated Note and Investor Put is specified as being applicable in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of this Senior Note or this Dated Subordinated Note, as the case may be, giving to the Issuer, in accordance with Condition 15, not less than 15 nor more than 30 days' notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) such Senior Note or such Dated Subordinated Note, as the case may be, on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

If this Senior Note or this Dated Subordinated Note, as the case may be, is in definitive form, to exercise the right to require redemption of this Senior Note or this Dated Subordinated Note, as the case may be, the holder of this Senior Note or this Dated Subordinated Note, as the case may be, must deliver such Senior Note, or such Dated Subordinated Note, as the case may be, on any Business Day (as defined in Condition 6) falling within the notice period at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Senior Note or this Dated Subordinated Note, as the case may be, is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of this Senior Note or this Dated Subordinated Note, as the case may be, the holder of this Senior Note or this Dated Subordinated Note, as the case may be, must, within the notice period, give notice to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and the CMU Service (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or the CMU Service or any common depositary, as the case may be, for them to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and the CMU Service from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the CMU Service given by a holder of any Senior Note or any Dated Subordinated Note pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Senior Notes or Dated Subordinated Notes to be due and payable pursuant to Condition 11 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

8.6 Early Redemption Amounts

For the purpose of Condition 8.2 and Condition 8.3 (if this Note is a Subordinated Note) above and Condition 11.1 (if this Note is a Senior Note) or Condition 11.2 (if this Note is a Subordinated Note), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note, an Instalment Note and a Partly Paid Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.7 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.6.

8.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.9 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.9 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3, 8.4 or 8.5 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

8.12 Conditions for Redemption and Purchase in respect of Subordinated Notes

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Subordinated Notes (other than pursuant to Condition 8.1 or Condition 11.2) and the Issuer or any of its Subsidiaries shall not purchase any of the Subordinated Notes unless the prior written consent of the HKMA thereto shall have been obtained, provided however, that if from time to time the consent of the HKMA is not a requirement of any such Subordinated Notes to constitute Tier 2.

Capital (or equivalent) of the Issuer for the purposes of, and as defined in, the Banking Ordinance (Cap. 155) of Hong Kong, or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Notes set out in this Condition 8.12 shall not apply for so long as such consent is not required.

For the avoidance of doubt, this provision shall not apply to the Issuer or any of its Subsidiaries holding the Subordinated Notes in a purely nominee capacity.

9 Taxation

All payments of principal, premium and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with Hong Kong other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.6).

As used in these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, the Trustee or the

Registrar on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Noteholders by the Issuer in accordance with Condition 15.

10 Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11 Events of Default and Enforcement

11.1 Events of Default relating to Senior Notes

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or put in funds to its satisfaction), give notice in writing to the Issuer that each Senior Note is, and each Senior Note shall, unless such Event of Default shall have been remedied prior to the giving of such notice, thereupon immediately become, due and repayable at its Early Redemption Amount, together with accrued interest (if any) as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) **Payment default:** a default is made for more than seven days in the payment of any principal or 14 days in the payment of any interest due in respect of the Senior Notes;
- (b) **Other defaults:** the Issuer does not perform or comply with one or more of its other obligations in the Senior Notes, which default, in the opinion of the Trustee, is incapable of remedy or, if in the opinion of the Trustee it is capable of remedy, is not, in the opinion of the Trustee, remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee;
- (c) **Insolvency:** the Issuer or any Principal Subsidiary is (or is, or could be deemed by law or a court to be) insolvent or bankrupt or is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due) (but excluding any deferral, rescheduling or other readjustment of any deposits in the ordinary course of business of the Issuer) or 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 any part of (or a particular type of) the debts of the Issuer or any of its Principal Subsidiaries;
- (d) **Cross-acceleration:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in

respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds US\$20,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any lead bank on the day on which this paragraph operates) on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

- (e) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days;
- (f) **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 Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) which is permitted under Condition 16.3 or (iii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries;
- (g) **Security enforced:** an encumbrancer takes possession of an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries (as the case may be) and is not discharged within 60 days;
- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;
- (i) **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 Senior Notes;
- (j) **Consent and authorisations:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Senior Notes, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Senior Notes admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (k) **Analogous events:** any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

PROVIDED that, in the case of the occurrence of any of the events specified in Conditions 11.1 (b), (c), (d), (e), (f) (other than the winding-up, dissolution or administration of the Issuer), (g), (h), (i), (j) or (k), the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

For this purpose, **Principal Subsidiary** means any Subsidiary of the Issuer:

- (a) whose profits from ordinary activities before taxation (**pre-tax profit**) or (in the case of a Subsidiary which itself has subsidiaries) consolidated pre-tax profit, as shown by its latest audited income statement, are at least 15 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet, are at least 15 per cent. of the amount of the consolidated gross assets of the Issuer and its Subsidiaries, as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, plus any amount represented by the investment of the Issuer in each Subsidiary whose financial statements are not consolidated with the consolidated audited financial statements of the Issuer and after adjustment for minority interests;

provided that, in relation to paragraphs (a) and (b) above:

- (i) in the case of it corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited financial statements of the Issuer relate, the reference to the then latest consolidated audited financial statements of the Issuer for the purposes of the calculation above shall, until the consolidated audited financial statements of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited financial statements of the Issuer adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries) of such subsidiary in such financial statements;
 - (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has subsidiaries no consolidated financial statements are prepared and audited, gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated financial statements prepared for this purpose by the Issuer, which are reviewed by the Issuer's auditors for the time being, for the purposes of preparing a certificate thereon to the Trustee;
 - (iii) if at any relevant time in relation to any Subsidiary, no financial statements are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma financial statements (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer, which are reviewed by the Issuer's auditors for the time being, for the purposes of preparing a certificate thereon to the Trustee; and
 - (iv) if the financial statements of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Issuer; or
- (c) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets of a Subsidiary which, immediately prior to such transfer, was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such

transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary at the date on which the first published audited financial statements (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such financial statements by virtue of the provisions of paragraphs (a) and (b) above.

11.2 Events of Default relating to Subordinated Notes

If default is made in the payment of any amount of principal in respect of the Subordinated Notes on the due date for payment thereof or of any amount of interest in respect of the Subordinated Notes within seven days after the date for payment thereof (which, in the case of the Undated Subordinated Notes, shall be the date upon which the payment of interest is compulsory pursuant to Condition 6.6) (each, an **Event of Default**) then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Subordinated Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer.

If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Subordinated Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Subordinated Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Redemption Amount together with accrued interest and all Arrears of Interest without further action or formality.

In these Conditions:

Winding-Up shall mean, with respect to the Issuer, a final and effective order or resolution for winding-up, liquidation or similar proceeding in respect of the Issuer; and

Winding-Up Proceedings shall mean, with respect to the Issuer, proceedings in Hong Kong in respect of the Issuer for the liquidation, winding-up or other similar proceeding of the Issuer.

11.3 Enforcement

11.3.1 Without prejudice to Condition 11.1 or 11.2, the Trustee may at any time and if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Notes binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or interest in respect of the Notes), subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it.

11.3.2 The Trustee shall not be bound to take action as referred to in Conditions 11.1, 11.2 and 11.3(a) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders and (i) it shall have been indemnified and/or secured and/or put in funds to its satisfaction. No

Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

11.3.3 In the case of Subordinated Notes and subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 11.2 and Conditions 11.3(a) and (b) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Noteholders, Receiptholders or Couponholders.

11.3.4 In the case of Subordinated Notes, no Noteholder, Receiptholder or Couponholder shall be entitled either to institute proceedings for the winding-up of the Issuer or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Noteholder or Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

12 Replacement of Notes, Receipts, Coupons and Talons

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

13 Principal Paying Agent, Registrar, Paying and Transfer Agents

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Notes in bearer form) and a Registrar and Transfer Agent (in the case of Notes in registered form) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.2. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30

nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

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

14 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15 Notices

All notices regarding Notes in bearer forms will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong by the Issuer in consultation with the Trustee. It is expected that such publication will be made in the *South China Morning Post* in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

All notices regarding Notes in registered form will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the third day after mailing and (b) if and for so long as the Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

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

on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or the persons shown in the relevant CMU Instrument Position Report.

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

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this condition.

16 Meetings of Noteholders, Modifications and Consolidations

16.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons) the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

16.2 Modifications and Waivers

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such

modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

16.3 Consolidation, Merger and Sale of Assets

Except as provided in Condition 17, the Issuer shall not consolidate with or merge into any other company or entity, and the Issuer may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to any company or other entity unless:

- (a) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer shall expressly assume by way of supplemental trust deed the due and punctual payment of the principal of, and interest on, the Notes and the performance of the Notes, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;
- (b) immediately after giving effect to such transaction, no Event of Default with respect to the Notes, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Notes, shall have happened and be continuing;
- (c) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by two directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 16.3 and that all conditions precedent relating to such transaction have been complied with; and
- (d) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Notes, issued any notice downgrading its credit rating for such Notes or indicating that it intends to downgrade its credit rating for such Notes.

16.4 Exercise of Trustee's Powers etc.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receipholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receipholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receipholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receipholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

17 Substitution

The Trustee may, at any time, subject to the prior written approval of the HKMA (if and to the extent then required) but without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor

under the Notes, the Receipts, the Coupons and the Trust Deed (and in the case of Subordinated Notes, on a subordinated basis equivalent to that set out in Condition 3.2) of any other company being a subsidiary of the Issuer, subject to:

- (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer (provided that in the case of Subordinated Notes, the obligations of the Issuer under such guarantee shall be subordinated on the basis considered by the Trustee to be equivalent to that described in Condition 3.2);
- (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

18 Indemnification of the Trustee and its Contracting with the Issuer

18.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or put in funds to its satisfaction.

18.2 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19 Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes which are to form a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders, the Receiptholders, the Couponholders and the holders of notes of other series in certain circumstances where the Trustee so decides.

20 Contracts (Rights of Third Parties) Act 1999

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

21 Governing Law and Submission to Jurisdiction

21.1 Governing law

The Trust Deed, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.2 (Status of the Subordinated Notes) and the first paragraph of Clause 7.1(a) of the Trust Deed shall be governed by and construed in accordance with the laws of Hong Kong.

21.2 Submission to jurisdiction

21.2.1 Subject to Condition 21.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

21.2.2 For the purposes of this Condition 21.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

21.2.3 This Condition 21.2(c) is for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

21.3 Appointment of Process Agent

The Issuer irrevocably appoints Hackwood Secretaries Limited at its specified office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Hackwood Secretaries Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its funding and general corporate purposes.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully take into account the considerations described below, in addition to the other information contained herein, before investing in the Notes issued under the Programme. Additional considerations and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Notes issued under the Programme. The occurrence of one or more events described below could have an adverse effect on the business, financial condition or results of operations of the Bank and its subsidiaries (the **Group**).

Considerations relating to the Group

The Group is subject to significant competition

The Group is subject to significant competition from many other banks and financial institutions, including competitors which have significantly more financial and other capital resources, higher market share, and stronger brand recognition than the Group. In particular, the banking and financial services industry in Hong Kong is a mature market and, as at 31 March 2018, supported 22 Hong Kong incorporated licensed banks and 137 banks incorporated outside Hong Kong competing for a customer population of approximately 7.4 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. There is a limited market, especially for retail banking products such as investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending businesses. The strength of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business has become very aggressive. There can be no assurance that increased competition will not have a material adverse effect on the Group's business, financial condition or results of operations.

Since 2000, many banks in Hong Kong, including the Bank, have lowered interest rates charged on new-home mortgage loans not guaranteed by the Hong Kong government. Despite a slight increase in such interest rates in 2008, competition in the mortgage loans market remains intense. In 2011, with interest rates at an extremely low level, a significant portion of new-home mortgage loans charged by banks in Hong Kong was HIBOR based. As at 31 December 2017, new-home mortgage loans pricing was 3.10 per cent. below the prime lending rate or 140 basis points above HIBOR. Competition among banks in Hong Kong for home mortgage loans could result in further reductions in mortgage interest rates. Such reductions could have an adverse effect on the Group's business, financial condition or results of operations.

As a result of the intensified competition among banks, the Bank has experienced downward pressure on its profit margins in recent years. To counter the effects of increased competition, the Bank has actively pursued a strategy of diversifying its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. However, there can be no assurance that the Bank will be able to compete successfully in the mature Hong Kong banking market and sustain its profitability in future.

Following the PRC's accession to the World Trade Organisation (**WTO**), a number of foreign banks have received authorisation from the PRC government to provide RMB-denominated banking and financial services (**RMB services**) to PRC domestic enterprises and to individuals from five years after its accession. The Closer Economic Partnership Agreement with the PRC (**CEPA**), which allows Hong Kong banks to operate in the PRC, has also increased competition in the Mainland China market. Since April 2007, the PRC government has begun granting approvals for locally incorporated banking licences for a number of foreign

banks which allow them to compete with PRC domestic banks on equal footing, thereby effectively removing regulatory restrictions on the geographical presence, customer base and operating licences of foreign banks. Accordingly, the Group is likely to face competition in the Mainland China market from both existing local Chinese banks and foreign banks entering the Mainland China market. There can be no assurance that the Group will maintain its current position or continue to develop its business successfully in Mainland China if, as expected, competition in the banking sector in Mainland China intensifies as a result of these latest changes in the regulatory environment in the PRC.

The introduction of CEPA has also enabled Mainland China banks to relocate certain operations, for example, the handling of international securities and bonds, as well as foreign exchange trading centres, to Hong Kong. Under CEPA, Mainland China banks are encouraged to expand their business through mergers and acquisitions (**M&A**). The entry of Mainland China banks into the Hong Kong market via M&A is likely to result in increased competition in the banking sector and there can be no assurance that the Group's business will not be affected by the increased competition.

The Group's business is vulnerable to volatility in interest rates

Changes in market interest rates affect the interest received on the Group's interest-earning assets and the interest paid on the Group's interest-bearing liabilities. The differences in timing and level of changes in interest rates can result in an increase in interest expense relative to its interest income, which may lead to a reduction in its net interest income. Interest rates in Hong Kong are sensitive to factors over which the Group has no control, including, among others:

- interest rates in the US;
- liquidity of the domestic inter-bank market and the international capital markets;
- domestic and international economic and political conditions; and
- competition for loan demand.

In the event that interest rates move against the Bank's position, it may adversely affect the Group's business, financial condition or results of operations. The interest rate environment has remained low in recent years and, as a result, the Bank's net interest margin also remained at a low level. For the years ended 31 December 2016 and 2017, the Bank's net interest margin was 1.48 per cent. and 1.68 per cent., respectively. There can be no assurance that interest rates will rise or not fall or become volatile or that changes in interest rates will not be frequent.

In addition, the Group is subject to interest rate risk as a result of mismatches in the pricing and duration of its assets and liabilities. A significant part of the Group's funding requirements is met through short-term or floating rate funding sources, primarily in the form of deposits, including customer deposits, inter-bank deposits and certificates of deposit, which tend to be at floating rates and are regularly repriced. In contrast, some of the Group's assets either receive a fixed rate of interest or if they receive a floating rate of interest, they may not be repriced as frequently as the Group's deposits. The Group closely monitors the risks associated with changes in interest rates that may arise from maturity gaps, basis risks among different interest rate benchmarks, yield curve movements, interest rate repricing risks and risks from embedded options (if any), and mitigates such risks through the use of interest rate derivatives, mainly interest rate swaps, to hedge both assets and liabilities as available-for-sale securities and non-trading liabilities. Sensitivity analyses on the Bank's interest rate exposures are also conducted on a quarterly basis. However, in a volatile interest rate environment there can be no assurance that the Group's net interest margin will not be impacted and the Group's net interest income reduced.

The activities of Treasury and Markets Group (TMG) also involve taking interest rate and credit spread risk. As the funding of treasury investments is generally of shorter duration than the assets that are held, which primarily consist of both fixed rate and floating rate investments, TMG may employ hedging strategies as appropriate to protect its portfolio. However, there can be no assurance that the investment income of TMG would not suffer from a rising interest rate environment or widening credit spread situation. Furthermore, there can be no assurance that the Bank will be able to generate positive net interest income in the future, and it is likely that in a continuing rising interest rate environment, the Bank's gains from disposals of securities may be lower, or that TMG may even incur losses.

The Group has significant exposure to the Hong Kong property market

The Group has significant exposure to the Hong Kong property market. As at 31 December 2017, home mortgage loans in Hong Kong (excluding loans under the Home Ownership Scheme and the Private Sector Participation Scheme and loans under a mortgage refinancing scheme launched by the Bank in 2002) accounted for 7.4 per cent. of the Group's total loans to customers while loans for property investment accounted for 13.4 per cent. of the Group's total loans to customers. The Hong Kong property market is highly cyclical and property prices in general have been volatile. During the period from 1997 to the first half of 2003, property prices and transaction volumes in the Hong Kong property market have experienced significant declines although both have risen significantly since the end of 2003. In addition, while the Hong Kong property market showed improvement during the period from 2004 to the first half of 2008, property prices in Hong Kong declined in the second half of 2008 and early 2009, before increasing significantly since the second half of 2009. In light of the increasing risk of a property price bubble, the HKSAR Government has introduced various measures to cool the Hong Kong property market since 2012. These measures, combined with slowing economic growth and expectations of USD/HKD interest rate hikes, began to work in September 2015 and brought down property prices by 13 per cent. during the six-month period ended March 2016. Since then, however, as economic growth rebounded, market liquidity increased further and housing supply remained insufficient, the effects of the HKSAR Government's cooling measures have increasingly diminished and consequently the property prices have been recovering and continue to reach new highs. As a result, the Centa-City Index was 31% per cent. higher in March 2018 as compared to March 2016. Property prices are expected to continue to increase, albeit at a moderate pace, until further USD rate hikes force the HKD Prime Rates to follow suit. Once this happens, property prices are expected to stabilise or adjust to a certain extent. An adjustment will depend on a number of factors, including the pace of USD rate hikes and balance sheet reduction and the resulting HKD rate rises, the strength of local economic recovery, increases in local property supply as well as the HKSAR Government's plan for supply increases, and Renminbi and property market developments in Mainland China. Any substantial decreases in property values could adversely affect the Group's business and financial condition and/or results of operations.

The Group has significant PRC exposure

A significant proportion of the Group's loans are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or guaranteed by entities domiciled in the PRC and thus have their risks transferred to PRC country risk. Such PRC-related loans accounted for 36.2 per cent. of the Group's total loans to customers as at 31 December 2017. For the year ended 31 December 2017, 40.2 per cent. of the ten largest non-performing loans were PRC-related loans. See *"Selected Statistical and Other Information Relating to the Group — Asset quality — Top ten non-performing loans"*. There can be no assurance that the Group's continued exposure to the PRC or its continual development in the PRC will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations. See *"Business — Strategy"*.

The Group has significant committed exposure to a relatively few number of borrowers

As at 31 December 2017, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for approximately HK\$63,513.2 million (US\$8,195.3 million). As at 31 December 2017, the Group's five largest borrowers (including groups of individuals and companies) accounted for approximately HK\$24,921.1 million (US\$3,215.6 million) with the largest borrower accounting for HK\$5,960.1 million (US\$769.0 million) or 12.4 per cent. of the Group's capital base. The non-performance of loans held by one or more of these customers could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's funding is primarily short-term, and if depositors do not roll over their deposits upon maturity, the Group's liquidity could be adversely affected

The Group's funding requirements are primarily met through short-term funding sources, primarily in the form of customer deposits, inter-bank deposits, certificates of deposit and shareholders' funds. As at 31 December 2017, 90.2 per cent. of the Group's customer deposits had a remaining maturity of three months or less. Historically, a substantial portion of such customer deposits have been rolled over upon maturity. However, no assurance can be given that this pattern will continue. If a substantial number of depositors fail to roll over deposited funds upon maturity, the Group's liquidity position would be adversely affected and it may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than the current level of deposits.

The Deposit Protection Scheme (the **Deposit Protection Scheme**) established under the Deposit Protection Scheme Ordinance (Cap. 581) of Hong Kong (the **Deposit Protection Scheme Ordinance**) and subsequently, the Deposit Protection Scheme (Amendment) Ordinance 2010 (the **Amendment Ordinance**) enacted on 1 January 2011, protects eligible deposits held with licensed banks in Hong Kong up to a limit of HK\$500,000. However, there can be no assurance that the level of customer deposits of the Group will not be adversely affected by any future withdrawal of or any other changes to the Deposit Protection Scheme.

The HKMA acts as the lender of last resort to all authorised institutions in Hong Kong to provide support for liquidity needs in the banking system generally as well as to specific institutions. In this regard, certain portions of the Bank's interest-earning assets are acceptable to the HKMA for such emergency funding support. However, there can be no assurance that the HKMA will take measures to assist banks in Hong Kong in the future or that it would elect to provide liquidity support assistance in the future to the Bank in the event of a liquidity crisis.

If the Bank is unable to control the level of impaired loans in its loan portfolio, its financial condition and results of operations will be materially and adversely affected

The Bank's results of operations may be negatively impacted by its impaired loans due to asset deterioration. Under the Hong Kong Financial Reporting Standards, the accounting principles that are applicable to the Bank, loans are impaired if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. As at 31 December 2017, the total amount of the Bank's impaired loans was HK\$2,464.0 million (US\$317.9 million). The Bank's impairment allowances on loans and advances amounted to HK\$1,522.9 million (US\$196.5 million) as at 31 December 2017, covering 61.8 per cent. of its total impaired loans as at the same date.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of businesses of the Bank and there can be no assurance that the Bank will be able to control effectively the level of impaired loans in its loan portfolio and the credit quality of its borrowers and counterparties. In particular, the amount of the Bank's reported impaired loans, the ratio of its impaired loans to its loans and advances to customers may increase and the recoverability and value of the assets of the Bank may reduce in the future as a result of deterioration in the quality of its loan portfolio.

Such deterioration may occur for a variety of reasons, including factors which are beyond the Bank's control, such as a slowdown in economic growth and other adverse macroeconomic conditions in Hong Kong and Greater China, which may cause operational, financial and liquidity problems for its borrowers and hence materially and adversely affect their ability to service their outstanding debts. Furthermore, a portion of the Bank's impairment allowances are estimated based on historical patterns of losses of its loan portfolio. As historical patterns may differ from the Bank's future experience, its current impairment allowances on loans and advances may not be adequate to cover any further increase in the amount of impaired loans or any future deterioration in the overall credit quality of the Bank's loan portfolio. As a result, the Bank may be required to increase its impairment allowances for impaired loans, which may in turn reduce its profit and adversely affect its financial condition and results of operations. Moreover, there is no precise method for predicting loan losses, and there can be no assurance that the Bank's impairment allowances on loans and advances are or will be sufficient to cover actual losses. If the Bank is unable to manage the above risks and control the level of its impaired loans, its financial condition and results of operations will be materially and adversely affected.

The Group's classification of loans and its policy in relation to the adequacy of allowance for loan losses may be different from the standards of other countries

In accordance with guidelines set by the HKMA, the Bank classifies its problem loans into one of three categories corresponding to levels of risk: "sub-standard", "doubtful" and "loss". The classification of loans into one of these categories depends on various quantitative and qualitative factors, including the number of overdue days, the type of loan, the tenor of the loan, the likelihood of collection, the type and amount of collateral, whether the net realizable value of the security is sufficient to cover the principal and accrued interest, whether the principal or interest amount has been overdue for more than 90 days, and the expectations for recovery or performance. The laws, regulations and guidelines governing banking in Hong Kong differ from those applicable in certain other countries in certain respects and may result in particular loans being classified at a different time or being classified in a category reflecting a different degree of risk than would be required in certain other countries. In addition, the typical procedures for writing off loans in Hong Kong may result in loans being written off later than would be the case for banks in certain other countries. Banks in Hong Kong may have different sets of criteria for recognition of accrued interest on loans which may be treated differently in certain other countries. While the Bank believes that its loan policies are generally in line with those which are required under Hong Kong laws and regulations, the Bank is not required to maintain such policies at levels above those generally applicable to banks in Hong Kong. For a description of the banking regulations that apply to banks in Hong Kong, see "*Regulation and Supervision*".

The Bank may be adversely affected by allegations made against it by its customers and/or its regulators

The Bank offers a range of wealth management and investment products to its customers. The Bank's management of the selling process associated with the distribution of these products is important to the success of its business. The Bank is required, among other things, to assess the suitability of customers for particular investment products and ensure that risks associated with those products are adequately disclosed to its customers before the Bank sells such products to them. The Bank may become liable to customers for damages and may be subject to regulatory enforcement actions if the sale of these products by the Bank is subsequently found to be in breach of the relevant legal or regulatory requirements, or duties owed to customers.

In the context of the 2008 global financial crisis, as one of the distributors of notes issued by Pacific International Finance Limited and arranged by Lehman Brothers group companies (the **Minibonds**) as well as other structured investment products such as Octave Notes issued by Victoria Peak International Finance Limited and arranged by an international investment bank (the **Structured Investment Products**), the Bank

received numerous complaints from its customers who had purchased the Structured Investment Products and was made defendant in legal proceedings, all of which have either been discontinued or are now time-barred by statutory limitation. The amounts involved in such proceedings were not material to the Bank. Furthermore, eligible customers of the relevant series of the Minibonds had received repurchase offers from the Bank in accordance with the agreement entered into between the Bank, the Securities and Futures Commission (SFC), the HKMA and other 15 distributing banks on 22 July 2009 as well as a final resolution plan in 2011.

As at 31 December 2017, so far as the Bank is aware, there was no outstanding claim or complaint to which the Bank is a party. Given the nature of the Bank's businesses, the Bank will face potential litigation and claims from disgruntled investors who have suffered losses with respect to their investments, whether in the Minibonds, the Structured Investment Products or other investment products subscribed through the Bank. Based on currently available information as at the date of this Offering Circular, the Bank does not expect such potential litigation and claims to have a material adverse impact on the Group's financial position.

The HKMA and the SFC regularly review and investigate complaints received from investors alleging mis-selling of investment products. The Hong Kong regulators can impose fines and/or suspend or withdraw a distributor's licence to engage in regulated activities in the event that a distributor has been found to have mis-sold investment products or be otherwise in breach of its legal or regulatory obligations. In response to issues arising from the distribution of structured products before the global financial crisis, the regulators in Hong Kong have since introduced new rules and regulations that impose stricter obligations on banks in Hong Kong in connection with the sale of investment products to their customers.

Litigation and claims will always be a possibility and such claims, in the aggregate, may become material to the Bank. Similarly, there can be no assurance that relevant government authorities or regulators will not seek to impose fines and/or suspend the Bank's regulated activities as a result of regulatory proceedings. Regulatory pressure to settle claims could also result in material payments by the Bank to disgruntled investors, which often does not reflect the merits of the parties' cases. Any legal or regulatory proceedings, whether substantiated or not, may result in negative publicity and a loss of customer confidence and/or goodwill, which may lead to a loss of business that may pose adverse effect on the Bank's reputation with existing and potential customers, as well as the Bank's business, financial condition or results of operations. Lastly, future legislative or regulatory restrictions may also limit the practices and ability of the Bank to sell structured investment products, which may have an impact on the Bank's business.

Fluctuations in foreign exchange rates could have an adverse effect on the Group's business, financial condition or results of operations

The Group undertakes various foreign exchange transactions as part of its treasury business and in providing hedging solutions to its corporate and retail customers. Foreign exchange positions of the Bank are subject to exposure limits approved by the Market Risk Committee (MRC) and the Credit and Risk Management Committee (CRMC). The Bank's Market Risk & Liquidity Modeling function conducts regular and independent assessment, stress testing, scenario analysis and monitors and controls the Bank's foreign currency risk exposure against corresponding limits including individual currency positions and overall foreign exchange positions and sensitivities. However, there can be no assurance that a significant change in the exchange rate between the relevant foreign currency and the Hong Kong dollar will not result in the Group incurring foreign exchange related losses, which in turn could have an adverse effect on the Group's business, financial condition or results of operations.

Security breaches to, and eliminating security problems of, the Group's internet banking services could have an adverse effect on its operations and reputation

To the extent that the Group's internet banking activities involve storage and transmission of confidential information, security breaches could expose the Group to possible liability and damage its reputation. The Group's network may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any of such disruptive problems may be high and may adversely affect the Group's business, financial condition or results of operations. Concerns regarding security risks may deter the Group's existing and potential customers from using its internet banking products and services. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or termination of user access to the Group's internet banking services. Undetected defects in software products that the Group uses in providing its internet banking services, and the Group's inability to sustain a high volume of traffic, may materially and adversely affect the Group's internet banking business.

CITIC is the ultimate controlling shareholder of the Bank

The Bank is 75 per cent. owned by CITIC International Financial Holdings Limited (**CIFH**) which is 100 per cent. owned by China CITIC Bank Corporation Limited (**CNCB**). In turn, CNCB is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent indirectly owned by CITIC Group Corporation (**CITIC** or the **CITIC Group**). CITIC Limited and CNCB are both listed on The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**).

With their controlling shareholding, CITIC and CNCB ultimately determine the strategy, management and operations of the Bank. CITIC and CNCB are able to determine the Bank's corporate policies, appoint its Directors and officers, and vote to pursue corporate actions requiring shareholders' approval. As at the date of this Offering Circular, the Chairman of the Bank is a director and the president of CNCB. See "*Management*". Although to date the Bank has been managed independently, there can be no assurance that the Bank will maintain its independence in the event of a conflict of interests with CITIC and CNCB.

The Bank's future strategy is to focus on the development of cross-border capabilities and services to offer "one-stop" solutions in conjunction with CNCB to serve the China-related in-bound and/or out-bound business needs of its customers, both in the PRC and in Asia. See "*Description of the Issuer — Wholesale & Cross-border Banking Group*". There can be no assurance that conflicts of interests will not arise between the Bank and CNCB and/or other CITIC companies. Under these conditions, there can be no assurance that the Bank can continue to develop its business in the PRC successfully.

The Bank's future strategy is dependent on its success in maximising synergies with CNCB

CIFH's privatisation in November 2008 and the CIFH Acquisition (as defined in "*Description of the Issuer*") by CNCB are integral steps to CITIC's Restructuring Strategy (as defined in "*Description of the Issuer*") to develop into an international PRC banking franchise. The Bank's future strategy is developed based on its role as the international commercial banking platform for CITIC and CNCB. Its success will depend on the Bank's ability to maximise synergies with CNCB.

There can be no assurance that the strategic initiatives of the Bank and CNCB will be successful, or that the anticipated synergies expected to be generated from the strategic initiatives will be realised, as these may be affected by numerous factors including difficulties in integrating the existing operations of CNCB and the Bank, unforeseen contingent risks or latent liabilities that may only become apparent following completion of such integration, potential adverse tax consequences to the Bank and loss of key personnel.

Expansion of the Group's operations may disrupt its business and reduce its profitability if not managed effectively

Expansion into overseas markets may present the Group with new risks and challenges, such as new regulatory environments, different market practices and competition in these markets. Expansion into overseas markets may also require significant operational, administrative and management resources. The success of any such expansion will depend in part on the ability of the Group's management to integrate the operations of its new overseas businesses with its existing operations and, where applicable, to integrate various departments, systems and processes. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be affected due to the demand placed on existing resources by the expansion process. There can be no assurance that any overseas expansion will achieve the level of performance that the Group anticipates or that the projected demand for, and margins of, the Group's products and services will be realised. The failure to manage expansion effectively could have an adverse effect on the Group's business, financial condition and results of operations.

There could be material changes in, or a breach of, the regulations that govern the Group and its business activities

Banks in Hong Kong are subject to the supervision of the HKMA, whose supervisory framework is in line with international standards. The Group's banking business in Hong Kong conducted through the Bank could be directly affected by any changes in the HKMA's policies, including in the areas of specific lending activities, loan provisioning, capital adequacy and liquidity requirements. In addition, any changes in regulatory or governmental policies, tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations, including changes under Basel III, could affect the Group's operations and financial performance. Furthermore, US laws and regulations such as the Foreign Account Tax Compliance Act may have impacts on the financial institutions in Hong Kong generally as well as the Group's operations and reporting duty. There can be no assurance that any future changes in the regulatory environment for banks in Hong Kong will not adversely affect the Group's business, financial condition or results of operations in the future.

Apart from the above, certain products and services provided by the Group are regulated by other regulators, including the SFC and the Insurance Authority in Hong Kong. The Group carefully manages legal and compliance risks, including in relation to the sale of financial and insurance products and anti-money laundering regulations. However, there can be no assurance that breaches of legislation or regulations by the Group will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

The Bank may issue further securities

To ensure that it remains in compliance with applicable capital requirements under Hong Kong law, rules and regulations (including guidelines issued by the HKMA), the Bank may from time to time raise additional capital through such means and in such manner as it may consider appropriate including, without limitation, the issue of further notes (whether on terms similar to the Notes issued under the Programme or otherwise) or other hybrid capital instruments, subject to any regulatory approval that may be required. There can be no assurance that such future capital raising activities will not adversely affect the market price of the Notes issued under the Programme in the secondary market.

The Group may be affected by a discontinuation of or amendment to the link of the Hong Kong dollar to the US dollar or revaluation of the Hong Kong dollar

Under the Linked Exchange Rate System established in 1983, HK dollar banknotes are fully backed by US dollars at a rate of HK\$7.80 to US\$1 (the **Linked Rate**) and depending on the flow of funds into and out of the HK dollar market, the HKMA also operates convertibility undertakings on both the strong side and the

weak side of the Linked Rate within the convertibility zone between HK\$7.75 and HK\$7.85 to US\$1. In the event that this policy were to be changed or there were to be a revaluation of the Hong Kong dollar, it could adversely affect the Hong Kong economy and, as a result, the Group's business, financial condition or results of operations. There can be no assurance that the Hong Kong dollar will continue to be linked to the US dollar. As at 31 December 2017, the Group had US dollar denominated assets of approximately HK\$142,222.1 million (US\$18,351.2 million) and US dollar denominated liabilities of approximately HK\$136,088.2 million (US\$17,559.8 million), representing approximately 41.3 per cent. and approximately 45.2 per cent. of the Group's total assets and liabilities, respectively, at the same date. A significant change in the exchange rate between the US dollar and the Hong Kong dollar may have an adverse effect on the Group's business, liquidity, financial position and capital.

Considerations relating to Hong Kong and the PRC

The Group may be affected by an economic downturn in Hong Kong

The Group conducts most of its operations and generates most of its revenue in Hong Kong. The Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in Hong Kong. As a result, any downturn in the Hong Kong economy may adversely affect the Group's business, financial condition or results of operations.

In 2003, the Hong Kong economy was seriously affected by the Severe Acute Respiratory System (SARS) epidemic, which resulted in, among other things, increased provisions which undermined the Group's profitability. Although the Hong Kong economy has, to a great extent, recovered from the impact of SARS in subsequent years, the global credit markets have experienced, and may continue to experience, significant dislocation and turbulence which originated from the liquidity disruptions in the US credit and sub-prime residential mortgage markets since the second half of 2007. Sub-prime mortgage loans in the United States experienced increased rates of delinquencies, foreclosures and losses. These and other related events, such as the collapse of a number of financial institutions resulted in an economic slowdown in the US and most economies around the world, substantial volatility in equity securities markets globally, fluctuations in foreign currency exchange rates and volatility and tightening of liquidity in global credit markets. Although global economic and financial conditions have improved since the second half of 2009, gradual withdrawal of monetary stimulus by central banks, emergence of trade protectionism in the US and the potential withdrawal of countries from the European Union (including the results of the national referendum in the United Kingdom on 23 June 2016 in favour of the United Kingdom leaving the European Union) have led to renewed doubts regarding the sustainability of the global economic recovery. If there is another economic downturn or any slowdown in global economic recovery, there can be no assurance that the Hong Kong economy or the Group's business, financial condition and results of operations will not be adversely affected.

The Group expects the recovery of, and the continued growth in, the Hong Kong economy to depend in part upon the economic performances of the US and the PRC, as well as certain other developed countries. There can be no assurance that future global events will not have an adverse effect on the Hong Kong economy and the Group.

The Group may be affected by an economic downturn in the PRC

The Bank plans to continue to develop its cross-border business and operations in the PRC in the future. Accordingly, the Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in the PRC. Many of the Group's commercial customers are dependent to varying degrees on trade with the PRC. The value of the Group's loans in the PRC, as well as its loans to companies that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in

political leadership, the rate of inflation, RMB interest rate and RMB exchange rate). There can be no assurance that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future. See "*— Considerations relating to the Group — The Group has significant PRC exposure*" and "*Business — Strategy*".

China's GDP growth edged up to 6.9 per cent. in 2017, compared with 6.7 per cent. in 2016 and was the first uptick in momentum since 2010. The RMB appreciated 6.8 per cent. against the USD in 2017 after exhibiting mostly a downward trend since August 2015 when the PBOC decided to change its daily rate fixing mechanism. The PRC government is expected to continue to cope with the problems of excess capacity and high corporate debt, and to contain financial risks. Recently, trade relations between China and the US have shown some signs of deterioration, which may pose an additional risk to China's economic prospects. If the PRC's economy experiences a renewed slowdown in growth or a downturn in the future, or if the RMB exchange rate experiences unexpected phenomenal fluctuations, the Group's PRC business and its ability to implement its growth strategies in the PRC could be materially and adversely affected.

With the increased integration of the PRC and Hong Kong economies, PRC policies will have an impact on Hong Kong and Hong Kong companies conducting business in the PRC. The Bank and its customers may also be affected accordingly.

The occurrence of a contagious disease in Hong Kong, Macau or the PRC could affect the Group's business, financial condition or results of operations

During the first half of 2003, the outbreak of SARS caused an adverse effect on the economies of the affected regions in Asia, including Hong Kong and the PRC, which impinged on the Group's operations in these affected regions. In the last few years, there have also been outbreaks of avian influenza in parts of Asia, including Hong Kong. In 2009, there were also outbreaks of the Human Swine Influenza A (H1N1) virus globally. On 11 June 2009, the World Health Organization (WHO) raised its pandemic alert level to Phase 6, its highest level, after considering data confirming the H1N1 outbreak. To date, there has been a significant number of confirmed cases of H1N1 in the Asia Pacific region and a number of deaths worldwide.

No assurance can be given that there will not be a recurrence of the outbreak of SARS or other epidemics, or that the incidence of avian influenza or H1N1 will not increase. As such, there can be no assurance that the Group's business, financial condition or results of operations will not be adversely affected if another outbreak of SARS, H1N1 virus or other highly contagious disease occurs.

The Bank is subject to various regulatory requirements in the Hong Kong banking industry

Under the Banking Ordinance, the HKMA regulates the business activities and operations of commercial banks and has the ability to influence banking and financial markets generally. Potential investors should be aware that regulatory requirements in Hong Kong may differ from those that prevail in other countries. Since the Group operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing new guidelines and regulatory requirements such as the Basel III capital adequacy standards which have been recently adopted in Hong Kong.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III increases the minimum capital adequacy ratio requirements in relation to risk-weighted assets, with the common equity requirement rising from 2 per cent. to 4.5 per cent. and the Tier 1 capital requirements rising from 4 per cent. to 6 per cent. The total minimum capital requirement remains unchanged at 8 per cent.

The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included the following statements:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph."

The release also states as follows: "The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority" (for the purposes of this Offering Circular, each a **Non-Viability Event**).

The initial stage of these proposed Basel III reforms has been implemented by the Hong Kong government since the beginning of 2013, and the full implementation of the reforms are expected to be completed by 2019.

These standards require banks to disclose key pieces of information on capital, risk exposures, risk assessment processes and hence capital adequacy. The aim of the new standards is to encourage banks to demonstrate to the market participants that their risk management systems are robust and that all relevant risks have been identified and controlled.

The Bank has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Increased regulation and the requirement for more stringent investor protections have increased its operational and compliance expenses. Any changes in regulation, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could affect the Group's operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such change will not materially increase the Group's operational and compliance cost or adversely affect its business or operations.

The Bank is subject to minimum regulatory capital and liquidity requirements

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Capital requirements are now more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Group's results of operations. A shortage of available capital might restrict the Group's opportunities for expansion.

Under Basel III, capital and liquidity requirements have been raised. On 17 December 2009, the Basel Committee of Banking Supervision (the **Basel Committee**) proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on

Basel III. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement and the total Tier 1 capital requirement. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer to withstand future periods of stress. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of common equity is to be applied as an extension of the conservation buffer.

The role of any other fully loss absorbing capital in the context of any countercyclical buffer remains under discussion according to the guidance issued by the Basel Committee on 16 December 2010 (as revised in June 2011). Furthermore, systemically important banks should have loss absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing.

The reforms therefore increase the minimum quantity and quality of capital which banks are obliged to maintain. There can be no assurance as to the availability or cost of such capital. The capital requirements has been supplemented by leverage ratio which has recently been adopted in Hong Kong.

Regarding liquidity perspective, Basel III also strengthened the requirements and introduced liquidity coverage ratio and net stable funding ratio, with the net stable funding ratio recently being adopted in Hong Kong.

There can be no assurance that, prior to its full implementation by 2019, the Basel Committee will not amend the package of reforms described above. Further, the HKMA may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on authorised institutions. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Group are increased in the future, any failure of the Group to maintain such increased regulatory capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group's results of operations.

The Bank may be affected by the Financial Institutions (Resolution) Ordinance of Hong Kong

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the **FIRO**) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong as may be designated by the relevant resolution authorities, which may in the future include members of the Group (a **FIRO Group Entity**). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution for a failing authorised institution or within scope financial institution in Hong Kong in order to stabilise and secure their continuity. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain details relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

Considerations relating to the 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 relevant 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 relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification and waivers

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 of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Notification Event shall not be treated as such.

Change of law

The Conditions of the Notes are based on English law and the law of Hong Kong (in respect of any subordination provisions) 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, Hong Kong law or administrative practice after the date of this Offering Circular.

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption 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 generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Notes subject to redemption by the Issuer upon the occurrence of a Regulatory Redemption Event

Subject to the prior consent of the HKMA, the Undated Subordinated Notes and/or the Dated Subordinated Notes, as the case may be, may be redeemed at the option of the Issuer in whole, but not in part, at any time or on any Interest Payment Date following the occurrence of a Regulatory Redemption Event (as defined in the “*Terms and Conditions of the Notes*”).

If the Undated Subordinated Notes and/or the Dated Subordinated Notes, in whole but not in part, do not qualify as Tier 2 Capital of the Issuer, this could lead to the Issuer redeeming the Notes (subject to the prior consent of the HKMA) prior to the Maturity Date pursuant to the Regulatory Redemption Event redemption right set out in Condition 8.3. It cannot be assured that the Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes 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.

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

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

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

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

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.

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.

If the Issuer does not satisfy the Issuer's obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "*Terms and Conditions of the Notes — Events of Default and Enforcement*".

The terms of Subordinated Notes may contain non-viability loss absorption provisions

To the extent that a series of Subordinated Notes contains provisions relating to loss absorption upon the occurrence of a Non-Viability Event of the Bank as determined by the relevant home authority in Hong Kong, or (if applicable) that of CNCB as determined by the relevant home authority in the PRC, the Bank 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 such Subordinated Notes) to effect either a full or partial write-off of the outstanding principal and accrued and unpaid interest in respect of such Subordinated Notes, or a conversion of such Subordinated Notes in full or in part into the ordinary shares of the Bank. In the event of a partial write-off or conversion, the sequence and the amount of write-off or conversion between different subordinated obligations of the Bank that are capable of being written off or converted is at the discretion of the HKMA or (if applicable) the relevant home authority in the PRC and the write-off or the conversion would be effected in full in the event that the amount written off or converted is not sufficient for the Non-Viability Event to cease to continue. To the extent relevant in the event that Subordinated Notes are written off, 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. In the event that Subordinated Notes feature a conversion to the ordinary shares of the Bank upon the occurrence of a Non-Viability Event, holders would not be entitled to any reconversion of ordinary shares to Subordinated Notes.

The occurrence of a Non-Viability Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Bank's control

The occurrence of a Non-Viability Event is dependent on a determination by the relevant home authority in Hong Kong of the non-viability of the Bank and (if applicable) the determination by the relevant home authority in the PRC of the non-viability of CNCB. Such provisions will be further described in the relevant Pricing Supplement to the Subordinated Notes. As a result, the relevant home authority may require or may cause a write-off in circumstances that are beyond the control of the Bank and CNCB and with which neither the Bank nor CNCB 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, the 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 Bank is trending towards a Non-Viability Event could have a material 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 their investment in such Subordinated Notes, including the principal amount plus any accrued but unpaid interest, in the event that a relevant 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 any relevant home authority 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 Hong Kong and 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 home authorities in Hong Kong and, if applicable, the PRC. It is uncertain how the relevant home authority 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 Notes.

A potential investor should not invest in the Notes unless it has the knowledge and expertise to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a write-down and the value of the 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 the Offering Circular.

The Issuer's obligations under Subordinated Notes are subordinated

The payment obligations of the Issuer under Dated Subordinated Notes and Undated Subordinated Notes will rank behind Senior Notes. Dated Subordinated Notes constitute unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. Undated Subordinated Notes constitute unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

Payments of principal and interest in respect of the Undated Subordinated Notes are conditional upon the Issuer being solvent. No such principal or interest will be payable in respect of Undated Subordinated Notes except to the extent that the Issuer could make such payment in whole or in part and still be solvent immediately thereafter. See Conditions 3.2(a) and 3.2(b) of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under the Subordinated Notes.

Any suspension of payments under the Undated Subordinated Notes will likely have an adverse effect on the market price of the Undated Subordinated Notes. In addition, as a result of the conditional payment provisions of the Undated Subordinated Notes, the market price of the Undated Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Risks related 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:

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest (where applicable) on the Notes in 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.

Interest rate risks

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.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to Renminbi-denominated Notes

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

Renminbi is not freely convertible. There are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

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

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

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

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the **Settlement Agreement**) between the PBOC and Bank of China (Hong Kong) Limited (the **RMB Clearing Bank**) to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a **RMB Clearing Bank**) to further internationalise the Renminbi.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC and the current size of Renminbi-denominated financial assets outside the PRC is limited. In addition, participating banks are required by the Hong Kong Monetary Authority to maintain a Renminbi liquidity ratio of not less than 25 per cent. (computed on the same basis as the statutory liquidity ratio), which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for Hong Kong residents of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any

open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market 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 RMB Notes. To the extent the Bank is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the RMB Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and by international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal will be made with respect to the RMB Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollars or other foreign currencies may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollars or other applicable foreign currencies will decline. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the RMB Notes.

Payments in respect of the RMB Notes will only be made to investors in the manner specified in such RMB Notes

All payments to investors in respect of the RMB Notes will be made solely by (i) when the RMB Notes are represented by a global certificate, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when the RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

CAPITALISATION

The following table sets forth the consolidated capitalisation of the Group as at 31 December 2017. The information as at 31 December 2017 has been derived from the audited financial statements of the Group as at 31 December 2017. This table should be read in conjunction with the audited financial statements of the Group as at 31 December 2017, including the notes thereto, incorporated by reference in this Offering Circular.

Short-term funding and long-term funding

	As at 31 Dec 2017	
	HK\$	US\$
	(in millions)	
Short-term borrowings		
Deposits and balances of banks and financial institutions	5,187.3	669.3
Deposits of customers, short-term portion	271,089.6	34,979.3
Certificates of deposits, short-term portion	3,421.8	441.5
Total short-term liabilities	279,698.7	36,090.1
Capitalisations		
Long-term borrowings		
Deposits of customers, long-term portion ³	382.2	49.3
Debt securities issued	3,584.1	462.5
Loan capital	6,340.2	818.1
Total long-term liabilities	10,306.5	1,329.9
Share capital	18,404.0	2,374.7
Reserves	18,979.9	2,449.0
Shareholders' equity	37,383.9	4,823.7
Additional equity instruments	6,173.3	796.6
Total capitalisation	53,863.7	6,950.2

Notes:

- (1) Translated at the rate of HK\$7.75 = US\$1.00.
- (2) Short-term borrowings represent borrowings with a remaining maturity of one year or less or borrowings that are repayable on demand.
- (3) As at 31 December 2017, deposits of customers (short-term and long-term) amounted to HK\$271,471.9 million (US\$35,028.6 million).
- (4) Long-term borrowings represent borrowings with a remaining maturity of more than one year.
- (5) As at the date of this Offering Circular, the issued and fully paid share capital is HK\$18,404.0 million (US\$2,374.7 million).
- (6) Total capitalisation represents the sum of total long-term liabilities, shareholders' equity and additional equity instruments.
- (7) Save as disclosed above, there has been no material change in the consolidated capitalisation of the Bank since 31 December 2017.

DESCRIPTION OF THE ISSUER

The Bank is incorporated and licensed in Hong Kong with business operations and presence spanning across Hong Kong, Macau, the PRC, the United States and Singapore. It is 75 per cent. owned by CITIC International Financial Holdings Limited (**CIFH**), which in turn is 100 per cent. owned by China CITIC Bank Corporation Limited (**CNCB**). CNCB is over 60 per cent. indirectly owned by CITIC Limited while CITIC Limited is approximately 58 per cent. indirectly owned by CITIC Group Corporation. On 29 September 2017, the Bank implemented a plan to introduce five financial investors who injected approximately HK\$9.05 billion in total into the Bank for a combined 25 per cent. holding of its enlarged issued share capital. The five financial investors are Tian Yuan Trading Ltd. (a subsidiary of Ningxia Tianyuan Manganese Co., Ltd.), Hong Kong Guansheng Investment Co., Ltd. (a subsidiary of Xinhua Zhongbao Co., Ltd.), Anxin Trust Co., Ltd., Clear Option Ltd. and Elegant Prime Ltd. (the two latter companies are wholly owned by Mr. Hui Wing Mau, the controlling shareholder of Shimao Property Holdings Ltd.). The transaction was completed on 15 December 2017. CIFH continues to retain 75 per cent. shareholding in the Bank after the transaction.

By providing value-creating financial solutions in order to define and exceed the wealth management and international business objectives of its Greater China and overseas customers, the Bank aspires to be “the best overseas integrated financial services institution” with the best international standards and capabilities. As at the date of this Offering Circular, the Bank had a network of 32 branches in Hong Kong, and a branch in each of Macau, New York, Los Angeles and Singapore. The Bank’s wholly owned subsidiary, HKCB Finance Limited (**HKCBF**), specialises in consumer credit and related services in Hong Kong while its PRC-incorporated wholly owned subsidiary, CITIC Bank International (China) Limited (**CBI China**), is headquartered in Shenzhen with branches in Beijing and Shanghai.

The Bank is an integral part of CITIC Group’s international commercial banking strategy. It is CITIC’s vehicle for developing commercial banking businesses in Hong Kong, and the commercial banking platform for business expansion in Asia for CITIC. In an effort to drive CITIC’s strategy to restructure and align its Hong Kong and mainland Chinese commercial banking businesses operated through the Bank and CNCB, respectively, CITIC privatised CIFH in November 2008 to facilitate and maximise the synergy from the tripartite cooperation between the Bank, CNCB and Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA**) (**Restructuring Strategy**). (See “*Principal Shareholders — CITIC International Financial Holdings Limited*”). Aside from this, CITIC also transferred all its holdings in CIFH to CNCB for a cash consideration of approximately HK\$13.6 billion (US\$1.7 billion) (**CIFH Acquisition**). The CIFH Acquisition was completed on 23 October 2009.

On 23 December 2014, BBVA agreed to dispose of its 29.68 per cent. stake in CIFH to CNCB for HK\$8,162 million and the transaction was completed on 27 August 2015. Following completion of the transaction, CNCB assumed full ownership of CIFH.

The Bank believes it has the following competitive advantages:

- International management standards — the Bank is independently managed by a team of qualified international banking professionals who are committed to international standards, business excellence and corporate governance;

- Mainland Chinese parentage — the Bank offers depth of knowledge and market connectivity in the PRC through its strong ties with and support from CNCB and its ultimate parent, CITIC;
- One-stop cross-border financial solutions — the Bank has a business model structured strategically for offering effective and timely one-stop financial solutions to customers with cross-border banking and financial needs, and for capturing cross-border opportunities entailed by Hong Kong's role as an offshore RMB centre;
- Customer-centric culture — the Bank has a customer-centric culture with a focus on upholding integrity, transparency, professionalism, discipline, innovation and progressiveness; and
- Strategic business position — the Bank is designated as the international commercial banking platform for CITIC and CNCB.

For the year ended 31 December 2017, the Group reported consolidated net profits of HK\$2,808.4 million (US\$362.3 million), up 10.2 per cent. as compared to the corresponding period of the previous year. As at 31 December 2017, the Group had consolidated total assets, total loans (including trade bills) and total customer deposits and certificates of deposit issued of HK\$344.3 billion (US\$44.4 billion), HK\$196.3 billion (US\$25.3 billion) and HK\$274.9 billion (US\$35.5 billion), respectively, and its capital adequacy ratio, loans to deposits ratio, loans to total assets ratio and average liquidity maintenance ratio were 20.3 per cent., 71.4 per cent., 57.0 per cent. and 59.6 per cent., respectively.

The Bank's operations currently comprise three main lines of business: Personal & Business Banking Group (PBG), Wholesale and Cross-border Banking Group (WBG) and Treasury and Markets Group (TMG).

The principal operations of the Bank's three main lines of business are as follows:

Personal & Business Banking Group

The objective of PBG is to be the preferred and trusted wealth management partner for affluent customers in Greater China, optimising wealth creation and protection through value-enhancing solutions and services in tune with the goals and aspirations of its customers. Its products and services primarily comprise general banking and wealth management services for individuals, mortgage lending, consumer lending and credit cards, insurance services, as well as banking solutions for small- and medium-sized enterprises (SMEs). These are offered through a multi-channel distribution system which comprises retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking.

Wholesale and Cross-border Banking Group

WBG is strategically positioned to be a full-service banking partner for Greater China and international corporates seeking, or active in, cross-border businesses and investments in the PRC. Its target customers include local Hong Kong and PRC companies, multinational companies, public and privately-owned middle market companies, banks and non-bank financial institutions. It strives to offer these customers tailored and value-enhancing solutions including products and services such as syndicated loans, structured finance, project finance, trade finance, working capital finance, bridging finance, property development and investment finance, as well as global markets and insurance products. Since June 2014, all overseas branches, including New York, Los Angeles, Singapore, and Macau have been merged into WBG. Under the new structure, WBG is responsible for the profit and loss as well as governance, operations and overall general management of all overseas branches of the Bank.

Treasury and Markets Group

TMG performs the dual function of managing the Bank's liquidity and risk exposures, and developing customer-driven trading and distribution capabilities for the Bank. One of TMG's principal roles lies in asset

and liability management for the Bank. Under the oversight of the Asset and Liability Committee (**ALCO**), TMG's functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. TMG is also responsible for developing the Bank's customer-related treasury business. Apart from offering traditional liabilities hedging solutions, TMG also offers wealth management solutions to customers and works closely with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers. In June 2016, TMG commenced its Debt Capital Markets (**DCM**) business, enriching the range of products available to clients and enhancing service capability.

History

The history of the Bank dates back to February 1922 with the inception of Ka Wah Ngan Ho in Guangzhou, China. In 1924, Ka Wah Ngan Ho was incorporated as a limited company in Hong Kong under the Hong Kong Companies Ordinance under the name of The Ka Wah Savings Bank Limited, which subsequently became The Ka Wah Bank Limited in January 1949. In July 1980, The Ka Wah Bank Limited made an initial public offer of 35,000,000 ordinary shares of HK\$1.00 par value per share. The Bank experienced financial difficulties in 1985 as a result of adverse economic conditions in Hong Kong and incurred substantial losses. This led to the restructuring of the Bank in 1986 with an investment injection of HK\$350 million by CITIC, which is now the ultimate controlling shareholder of the Bank. CITIC was approved by the State Council of the People Republic of China and established in 1979. It is a large state-owned multinational conglomerate with a wide range of businesses covering finance, energy and resources, manufacturing, engineering contracting and real estate. CITIC currently has interests in two commercial banks, namely China CITIC Bank International Limited and China CITIC Bank Corporation Limited.

In 1998, The Ka Wah Bank Limited underwent a management restructuring and transformed from a small-sized bank managed predominantly by bankers from the PRC into a medium-sized bank managed predominantly by professionals recruited from international commercial banks in Hong Kong. In July 1998, The Ka Wah Bank Limited changed its name to CITIC Ka Wah Bank Limited to underscore its relationship with CITIC and expanded its operations substantially in a move to reposition itself as a progressive, customer-centric bank while serving as a platform for the acquisition of The Hongkong Chinese Bank, Limited (**HKCB**). Reforms were implemented across most areas of the bank, including core business areas of retail banking, wholesale and cross-border banking, international banking and treasury, to improve the management and operating efficiency of its businesses while investment was also made in information technology infrastructure, and product enhancement and development.

On 17 January 2002, CITIC Ka Wah Bank Limited completed the acquisition of the entire issued share capital of HKCB for an aggregate consideration of HK\$4.2 billion. On 25 November 2002, the merger of CITIC Ka Wah Bank Limited and HKCB was completed after CITIC Ka Wah Bank Limited transferred most of its commercial banking assets and liabilities to HKCB and changed its name into "CITIC International Financial Holdings Limited". CIFIH maintained its listing status and became the holding company of a group of reorganised banking and financial services companies. At the same time, HKCB adopted the name of CITIC Ka Wah Bank Limited and continued to operate the integrated commercial banking business of the merged entities.

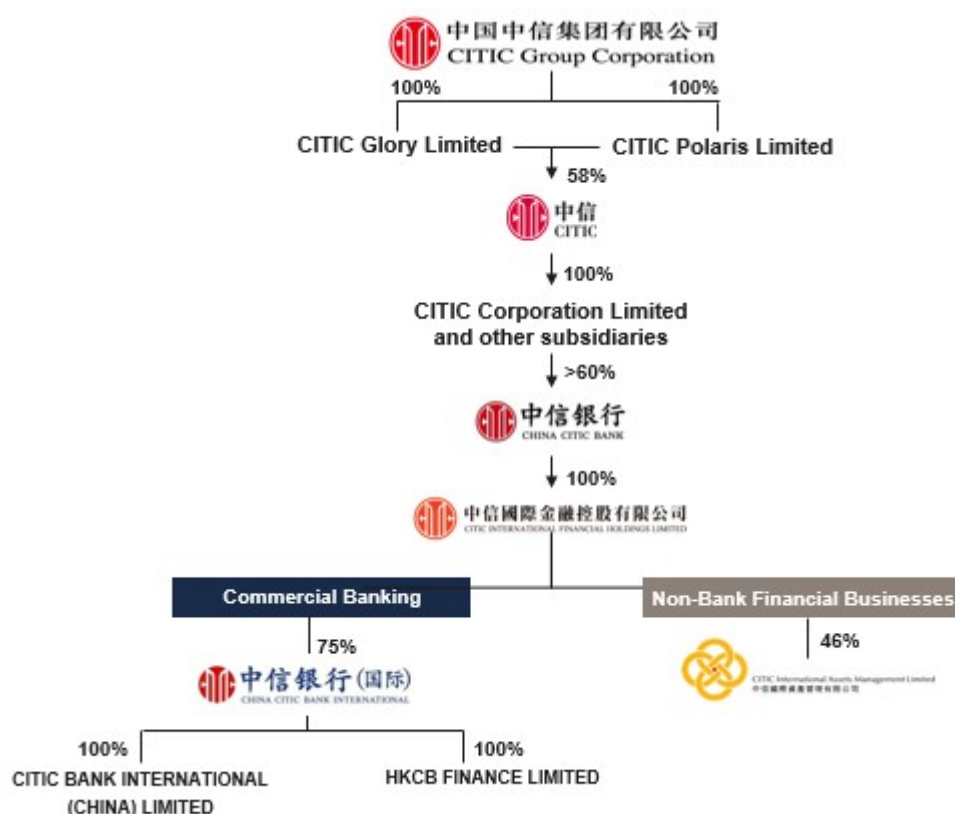
On 1 March 2007, CIFIH and BBVA completed a strategic alliance agreement which involved BBVA taking a 14.58 per cent. stake in CIFIH. On 3 June 2008, CITIC, through Gloryshare Investments Limited, proposed to privatise CIFIH by way of Scheme of Arrangement (the **Proposed Privatisation**) as part of its Restructuring Strategy to align its commercial banking businesses in Hong Kong and Mainland China (See "*Principal Shareholders — CITIC International Financial Holdings Limited*"). On 16 October 2008, CIFIH's independent shareholders approved the Proposed Privatisation. On 5 November 2008, CIFIH was delisted

from the Hong Kong Stock Exchange and on the same day, BBVA's stake in CIFH increased from 14.58 per cent. to 29.68 per cent. As part of the Restructuring Strategy, CITIC reaffirmed the role of the Bank as its exclusive vehicle for developing commercial banking business in Hong Kong and as the international commercial banking platform for business expansion in Asia for CITIC and BBVA. On 8 May 2009, CNCB announced the CIFH Acquisition which was approved at CNCB's annual general meeting held on 29 June 2009 and was completed on 23 October 2009.

On 7 May 2010, the Bank changed its name from CITIC Ka Wah Bank Limited to CITIC Bank International Limited and again on 16 November 2012 to China CITIC Bank International Limited with an aim to put further emphasis on its role as CNCB's offshore platform for pursuing business expansion in Hong Kong and internationally.

On 27 August 2015, CNCB successfully acquired the remaining 29.68 per cent. stake in CIFH from BBVA and assumed full indirect ownership of the Bank, strengthening the ties between the Bank and the parent bank for synergetic development on the full advantage of the CITIC brand.

On 15 December 2017, the Bank successfully introduced five financial investors with aggregate shareholding of 25 per cent. of the total issued share capital of the Bank. Since then, the Bank became a 75 per cent. owned subsidiary of CIFH. The following chart offers a simplified overview of the corporate structure of the Bank as at the date of this Offering Circular:



Strategy

Hong Kong is known across the world for its mature and highly sophisticated banking and financial services industry which has over the last two decades been characterised by intense competition posed by local and multinational financial institutions vying for opportunities from mainland China's growing prominence and the liberalisation of the country's banking industry since 2005. Major Chinese financial institutions, especially those with H-share listings in Hong Kong, have started to embrace internationalisation strategies and leverage Hong Kong as a strategic springboard for overseas expansion. Since 2006, Chinese banks have been active in acquiring Hong Kong commercial banks as a means to gain immediate access to branch networks as well as operational presence in Hong Kong and abroad. As a result, smaller local and family-owned commercial banks in Hong Kong were increasingly prone to acquisition or marginalisation.

As an integral part of CITIC's international commercial banking franchise and its Hong Kong and offshore business development platform, the Bank is positioned to compete through its business model, which underpins its close collaboration with CNCB, to offer effective and timely one-stop financial solutions to customers with cross-border banking and financial needs, and capture cross-border opportunities entailed by Hong Kong's role as an offshore RMB centre.

In pursuit of its objective of becoming the "best integrated financial services institution" with international standards and capabilities, the Bank leverages its strategic role as the offshore commercial banking platform of CITIC in Hong Kong and Asia. The Bank's vision is to support the establishment and expansion of the CITIC international banking franchise. In order to achieve this, the Bank adopts a three-pronged approach of (i) strengthening its core business fundamentals; (ii) identifying and building new competencies that will enhance its capacity for serving customers with cross-border business and trade flows between Greater China and the rest of the world; and (iii) developing and providing cross-border RMB business and financial solutions.

The implementation of the three-pronged approach is summarised as follows:

Personal & Business Banking: Upscale to target affluent segment

PBG aims to be a leading provider of wealth management services to affluent customers in Greater China. The Bank has focused in recent years on building its wealth management franchise in the Hong Kong market. In order to differentiate its services and establish its unique competitive niche, the Bank created CITIC*first* in March 2006, a wealth management offering that is targeted at affluent customers in Greater China. By 31 December 2017, CITIC*first* had built a client base of over 26,000 customers, with total client assets under management of approximately HK\$116.0 billion (US\$14.9 billion). See "*Principal Business Activities — Personal & Business Banking Group — Business Portfolio — Wealth Management Services for Affluent Individuals*". The Bank aims to continue to focus on this market segment and will strive to offer a greater diversity of innovative wealth management products and services in order to expand its market share in this segment. Efforts will also be made to identify and serve the cross-border wealth management needs of the growing PRC affluent customer segment, as Hong Kong establishes itself as an offshore RMB centre with the support of the PRC government.

Wholesale and Cross-border Banking: Position itself as customer's preferred cross-border-focused solutions bank

WBG aims to position itself as the preferred solutions provider for Greater China and overseas corporates seeking or active in cross-border businesses and investments in the region. WBG began focusing its efforts in 2005 to develop new markets, products and services, and repositioned its relationship management model. In order to further align with the Bank's business strategy and focus on building a successful cross-border bank with distinctive competitive advantages, the Wholesale Banking Group and China Banking Group were

combined to form WBG in 2012. WBG continues to expand its scope of financial services and solutions to mid-sized and large corporate customers and expand the Bank's regional footprint by establishing branches and representative offices and building its regional customer base to capitalise on the trade and business flows between Greater China and the rest of the region. Since June 2014, WBG's overseas footprint covers New York, Los Angeles, Singapore and Macau.

WBG will place an emphasis on executing the cross-border strategy with CNCB. The two banks will systematically develop an integrated product, service and system platform for their corporate clientele, and build complementary competencies in customer resources, professional know-how, product offering, service quality as well as risk management capability.

Treasury and Markets: Establish global markets capabilities to drive customer-related income

TMG aims to improve on its traditional role of managing the Bank's liquidity and risk exposures. It plans to develop and establish the Bank's global markets capabilities to expand its revenue sources and to meet the increasingly sophisticated demands of its customers. In particular, it aims to leverage on CNCB's foreign exchange market-making leadership in Mainland China to develop an offshore capital markets platform in Hong Kong to provide timely financial solutions to customers. It will work closely with CNCB to expand its client base and to generate more business flows by offering hedging tools such as non-deliverable currencies products and interest rate swaps, as well as structured products for yield enhancement. It will also focus on expanding its China-related businesses such as RMB-denominated trade settlement, RMB bond issuance and RMB initial public offering businesses in due course.

Awards

The Bank has received various awards and accolades for its business, management and operational excellence in addition to its contribution to the Hong Kong community. In 2007, the Bank received a Silver Award in the Hong Kong Management Association Quality Award in recognition of its outstanding achievement in Total Quality Management through the implementation of the Malcolm Baldrige Management Model.

The Bank was named 2007 Retail Bank of the Year — Hong Kong by *Asian Banking & Finance Magazine* and presented a 2007 Hong Kong Award for Industries: Productivity and Quality Awards by the Hong Kong Productivity Council. In 2009 and 2011, CITIC*first* received a Wealth Management Service Award from local finance magazine — *Capital Weekly*. The magazine also presented the Bank another award in the RMB Banking category in 2011. The Bank's commitment to employee development was recognised by a Best Practice Financial Services — Effective Training Award from Benchmark and Best Practice Management in 2009, a Manpower Developer 1st Award from the Employees Retraining Board and Certificate of Merit in the Award for Excellence in Training and Development by the Hong Kong Management Association in 2010. Meanwhile, the Bank was presented an mtn-i Asia Pacific Landmark Deal Award from mtn-i in 2010 and 2012. In April 2012, the Bank retained the Manpower Developer 1st accreditation by the Employees Retraining Board for another two years until March 2014. In 2013, the Bank received an additional award from *Capital Weekly* in recognition of its wealth management service. In 2014, the Bank won an Outstanding e-Banking Award in the Quamnet Outstanding Enterprise Awards. In the area of corporate social responsibility, the Bank was awarded a Gold Certificate by the Social Welfare Department's Volunteer Movement for the fifth consecutive year in 2012, was named Caring Company for the 10th consecutive year in the same year by the Hong Kong Council of Social Service (HKCSS), and was awarded a 10 Years Plus Caring Company Logo by HKCSS in 2014. The Bank continued to receive media plaudits and garnered several industry awards in 2015. These included a Metro Awards for Banking & Finance Corporations 2015 – Best Renminbi Investment Services Award from *Metro Daily* and *Metro Prosperity*, an Outstanding Private Banking - Diversified Business Award in the 2015 RMB Business Outstanding Awards by *Metro Finance*,

Metro Finance Digital and *Wen Wei Po*, and a Quamnet Outstanding Enterprise Awards 2014 – Outstanding e-Banking award. The Bank was also named Company for Financial Planning Excellence of the Year 2015 at the SCMP/IFPHK Financial Planner Awards. In 2016, the Bank was presented a Hong Kong ICT Awards 2016: Best FinTech (Emerging Solutions) Certificate of Merit. The Bank was also named Metro Finance Hong Kong Leaders' Choice Awards 2016 – Excellent Brand of Private Banking and Quamnet Outstanding Enterprise Awards 2015 – Outstanding Wealth Management Bank. Moreover, the Bank received a Sky Post Banking and Finance Awards 2016 - Most Favourite Mobile Banking Service Award, and was again named Company for Financial Planning Excellence of the Year 2016 at the SCMP/IFPHK Financial Planner Awards.

In 2017, the Bank was awarded several accolades, including The Asian Banker Financial Markets Awards 2017 – Financial Markets Technology Implementation of the Year – Best Integrated Treasury and Capital Markets Platform Implementation; Metro Finance Hong Kong Leaders' Choice 2017 – Excellent Brand of Mobile Banking and Excellent Brand of Private Banking Service; Quamnet Outstanding Enterprise Awards 2016 – Outstanding Mobile Banking Services; and IFPHKA – Accredited Professional Financial Planning Firm 2017. During the first quarter of 2018, the Bank received the following awards: Quamnet Outstanding Enterprise Awards 2017 – Outstanding Private Banking Service and Outstanding Wealth Management Bank; etnet FinTech Awards 2017 – Outstanding Mobile Payment Integration with Social Media Platform; and Metro Finance Hong Kong Leaders' Choice Awards 2018 – Excellent Brand of Mobile Banking, Excellent Brand of Private Banking Service and Excellent Brand of Wealth Management Banking.

Principal Business Activities

The Bank's operations currently comprise three main lines of business: PBG, WBG and TMG. China Banking, which was formed in early 2002 to establish and oversee the Bank's onshore network and business developments in the PRC as well as driving business and strategic collaborative efforts with CNCB, was combined with Wholesale Banking to form the Wholesale and Cross-border Banking Group in 2012.

The following table sets out the contribution to the operating income of the Group on a consolidated basis by each of the business groups of the Group for the periods indicated.

For the years ended December 2016 and 2017			
	2016	2017	2017
	HK\$	HK\$	US\$
		(in millions)	
Personal and Business Banking.....	2,382.1	2,370.3	305.8
Wholesale and Cross-border Banking.....	3,972.5	4,667.3	602.2
Treasury & Markets	41.5	529.3	68.3
Unallocated ⁽¹⁾	16.7	306.0	39.5
Operating Income	6,412.8	7,872.9	1,015.8

Note:

(1) Including Bank premises and any items which cannot be reasonably allocated to specific business segments.

The following table sets out the profit before taxation from each of the business groups of the Group for the period indicated.

For the years ended December 2016 and 2017			
	2016	2017	2017
	HK\$	HK\$	US\$
	(in millions)		
Personal and Business Banking.....	964.5	951.5	122.8
Wholesale and Cross-border Banking	2,695.7	2,294.3	296.0
Treasury & Markets	(387.0)	160.7	20.7
Unallocated ⁽¹⁾⁽²⁾	(220.0)	(119.3)	(15.4)
Total profit before taxation.....	3,053.2	3,287.2	424.1

Notes:

- (1) Including Bank premises and any items which cannot be reasonably allocated to specific business segments.
- (2) Profit before taxation from “Unallocated” included net profit on disposal of fixed assets and revaluation gain of investment properties of HK\$9.6 million (US\$1.2 million) and HK\$11.1 million (US\$1.4 million) for the years ended 31 December 2016 and 2017, respectively.

Personal & Business Banking Group

Overview

The Bank’s strategy is to focus on serving affluent individuals and small business customers in Hong Kong and the PRC. Its objective is to become the preferred and trusted wealth management partner for affluent customers in Greater China, optimising wealth creation and protection through value enhancing solutions and services in tune with the goals and aspirations of its customers. PBG is a full retail service provider and its principal products and services for retail customers include home mortgage loans, consumer finance, credit cards, deposits and general banking services, private wealth management services including insurance and investment products; and for SMEs, these include hire purchase and leasing, taxi loans, small business loans and other banking solutions. The private wealth management segment is PBG’s strategic growth driver, with deposits, mortgages and credit card as the typical entry relationship products.

Customer deposit gathering continues to be a key focus for PBG in 2017. PBG grew its retail deposits by 14.8 per cent. compared with year end 2016 to HK\$130.8 billion (US\$16.8 billion) as at 31 December 2017. In addition, PBG continued to make steady growth in mortgages, consumer finance and lending to small- and medium-sized enterprises (**SME**) in 2017. The outstanding retail lending balance reached HK\$45.9 billion (US\$5.9 billion) as at 31 December 2017, representing a 7.4 per cent. growth compared with year end 2016. Net interest income amounted to HK\$1.7 billion (US\$0.2 billion) for the year ended 31 December 2017, representing a 3.8 per cent. increase over 2016. The increase in net interest income resulted mainly from the rising interest margin during the year.

In addition to interest income generated from lending to retail customers and small businesses, the Bank has also focused on growing its non-interest income through the distribution of a wide range of wealth management products which include stock trading, unit trusts, insurance products and structured products. For the year ended 31 December 2017, non-interest income amounted to HK\$718.3 million (US\$92.1 million), representing a 9.1 per cent. decrease as compared to 2016.

Over the past years, PBG has won various awards for its innovative and successful customer-oriented business model, including the “2002 Hong Kong Retail Management Association Customer Service Award” in recognition of its high service standard, the Hong Kong General Chamber of Commerce “Hong Kong Award for Services: Innovation Award” in 2003 for the Bank’s innovative products, and the Hong Kong Retail Bank of the Year award by *Asian Banking & Finance Magazine* in 2007 for achieving record growth in a mature consumer banking market and successfully bringing private banking-like products to the retail segment. In addition, it was awarded the “Outstanding Retail Sales Volume — Gold Prize” by VISA International in 2004 and 2005, and the “Quality Recognition Award 2004” from JPMorgan acknowledging the Bank’s quality excellence in its SWIFT payments. In 2009, CITICfirst received the “Wealth Management Service Award” from local finance magazine *Capital Weekly* in its “Service Awards 2009”. In April 2011, PBG received a Capital Weekly Service Award in the RMB Banking category and another award in the Wealth Management category from local finance magazine *Capital Weekly*’s Service Awards 2011, in recognition of CITICfirst’s brand recognition by the market and its customers. In January 2015, PBG won The Outstanding eBanking Award from local popular financial website, Quamnet’s Outstanding Enterprise Awards 2014. During 2015, the Bank has made sustained efforts to create new RMB-related deposit and investment products, such as introducing RMB equity-linked products ahead of its peers in Hong Kong. Together with breakthroughs made in mobile banking, such product innovations have earned the Bank several awards. In the “2015 RMB Business Outstanding Awards” organized by *Metro Finance* and *Wen Wei Po*, the Bank won the “Outstanding Private Banking Diversified Business Award”. It also received from *Metro Daily* the “Metro Awards for Banking & Finance Corporations 2015 – The Best Renminbi Investment Services Award” and “The Best Mobile Banking Services Award”. Moreover, the Bank also gained the “Hong Kong Economic Times e-brand Awards 2015 – The Best of Social Platform Banking Service” award. In 2016, PBG was awarded several prizes, including “Company for Financial Planning Excellence of the Year 2016” presented by the South China Morning Post / Institute of Financial Planners of Hong Kong Financial Planner Awards, “The Most Favorite Mobile Banking Services Award” in the Banking & Finance Award 2016 organized by Sky Post, “The Best Fin Tech (Emerging Solutions) Certificate of Merit” in Hong Kong ICT Awards 2016, and two prizes by Metro Finance, namely “Metro Finance Hong Kong Leaders’ Choice Awards 2016 – Excellent Brand of Private Banking and Excellent Brand of Mobile Banking”. During 2017 PBG was awarded several accolades, including “Accredited Professional Financial Planning Firm 2017” presented by the Institute of Financial Planners of Hong Kong, “Quamnet Outstanding Enterprise Awards 2016 – Outstanding Mobile Banking Services” organized by Quamnet, two honours by Metro Finance, namely “Hong Kong Leaders’ Choice Awards 2017 – Excellent Brand of Private Banking Service and Excellent Brand of Mobile Banking”, and several awards from HKIB Outstanding Financial Management Planners Awards 2017.

As the Bank continues to strengthen collaboration with CNCB, PBG will prioritise the need to build a strengthened and integrated wealth management platform under a united CITIC brand to service the affluent segment in Greater China and Asia. In April 2011, PBG officially launched its private banking service to build a highly competitive CITIC private banking platform in Hong Kong. The Bank will leverage the private banking initiatives of CNCB by serving as the offshore banking platform for CNCB private banking customers. Efforts will be made to identify and serve the cross-border wealth management needs of the growing PRC affluent customer segment, as Hong Kong establishes itself as an offshore RMB centre with the support of the PRC government.

Business Portfolio

Wealth Management Services for Affluent Individuals

CITICfirst. To capture opportunities arising from the growing affluence of the Greater China economies, PBG upgraded its wealth management competencies to serve affluent customers by introducing CITICfirst, which

targets customers who have liquid net worth of HK\$3 million or more. It is a hybrid service which combines private banking's tailor-made financial solutions that are typically only accessible to high net-worth individuals with US\$1 million or more, with the convenience and diversity of banking services that are available to priority banking customers with assets of HK\$500,000 to HK\$1 million for investment purposes.

CITIC*first* places emphasis on helping customers define and develop optimised solutions to meet their financial goals and expectations. Its service model is built on a carefully structured expert portfolio management process aimed at systematically determining individual customers' financial needs, risk-return profiles, risk tolerances and investment preferences. Utilising a sophisticated and fully-integrated on-line system, the Bank's relationship managers develop modularised risk-return adjusted asset allocation recommendations and investment products tailored to the needs of each individual customer. The system continuously tracks each portfolio's realised and unrealised gains and losses, allowing the relationship managers to deliver timely portfolio monitoring and updates for individual customers.

Following its pilot launch to existing customers in October 2005, the full marketing launch of CITIC*first* was rolled out in March 2006, and by the end of December 2017, CITIC*first* had attracted a total of over 26,000 customers with total client assets under management of around HK\$116.0 billion (US\$14.9 billion). In addition, since the launch of CITIC*first*, the Bank has experienced a robust growth in service fee and commission income associated with unit trust products, securities and investment-linked products as well as bancassurance products. CITIC*first* continued to upgrade its wealth management process to enhance customers' understanding of their own risk appetite and wealth objectives. The upgraded process allows the Bank to derive more suitable wealth management strategies for its clients.

As at the date of this Offering Circular, the Bank operated 19 dedicated CITIC*first* banking centres located within its branches in Sheung Wan, Central, Admiralty, CITIC Tower, Wanchai, Causeway Bay, Leighton Road and North Point in Hong Kong; Tsim Sha Tsui, Ho Man Tin, Mongkok, Kowloon City, Mei Foo and Hoi Yuen Road in Kowloon; Tsuen Wan, Shatin, Tai Wai, Tai Po and Yuen Long in the New Territories. Dedicated teller counters are also available at all branches.

With the CITIC*first* wealth management service, the Bank has a foundation in serving high net-worth clientele. The Bank has seen an increase in demand from its high net-worth customers requesting customised wealth management solutions. To cope with this rising business need, the Bank has decided to establish a private banking service focusing on high net-worth individuals and corporations.

Initially, it will focus on upgrading eligible CITIC*first* customers, new customer acquisition with particular attention on those seeking to create wealth, protecting wealth which includes risk diversification and passing assets to their next generation. The entry level of the new private banking service will be set at US\$1 million. It aims at providing investment management solutions as well as regular banking services to the high net worth segment.

Investment products. The Bank offers a comprehensive range of investment products to meet the risk diversification and yield enhancement needs of its customers. Investment products of PBG consist primarily of stocks, bonds, unit trusts and structured products. The Bank offers its customers stock trading services through its i-banking, mobile banking and call centre channels. The Bank currently distributes unit trusts from global fund companies (including regional equities funds and global balanced money market funds, and individual bonds and equities), and a range of structured products of TMG and other third-party investment banks.

Insurance products. The Bank has established non-exclusive strategic alliances with Manulife (International) Limited (**Manulife**) and China Life Insurance (Overseas) Co. Ltd. (**China Life**) to distribute a range of insurance products to the Bank's retail customers. These life insurance products are distributed through the Bank's branch network, CITIC*first* centres and private banking. The Bank distributes a series of retirement

plans (e.g. ManuJoy, MyChoice & Enjoyable Guaranteed Annuity Plan), limited pay whole life protection plans (e.g. ManuPrestige and La Vie), short-term endowment plans (e.g. Luxe 5, Goal 5 and Prestige 6 – Year Insurance Plan) and medical plans (e.g. ManuMaster and ManuShine). The dual partnership arrangement with Manulife and China Life will ensure that the Bank has the ability to offer a diversified range of wealth planning solutions to suit its customers' savings and protection needs.

Lending to Individual Customers

Mortgages. Residential mortgages represent the largest segment of PBG's total loans to customers. The majority of residential mortgage loans is extended to homeowners and all residential mortgage loans are secured by a first legal charge on the property. These typically have floating interest rates and average loan maturity is approximately 20 years. The Bank offers a comprehensive range of mortgage plans that are linked to the prime lending rate or HIBOR, card repayment mortgages and composite rate mortgage loans. The strategy for residential mortgages remains defensive and prudent lending disciplines are strictly enforced. Aggressive price-cutting competition is deliberately eschewed and preferential mortgage offerings are structured mainly as an integral part of the total service solutions for PBG's core customer segments.

Consumer finance. With the industry-wide decline in consumer demand for revolving credit card balances, the Bank strategically repositioned its credit card business in 2005 to target growth in fee-generating instalment receivables and new sales. PBG avoided direct pricing competition in the consumer lending market by adopting a business acquisition strategy through its Dollar\$mart instalment loan product which emphasises innovative product features and creative pricing packages. PBG has also shifted its consumer finance strategy from a mass strategy to one that enhances traction in deepening relationships with the affluent segment. This strategy dovetailed with CITIC*first*'s customer inflow and resulted in the growth of its platinum credit card base. For the mass customer base, reviews were conducted regularly to ensure that the overall risk was contained within the expected level.

SME Business

PBG's Business Banking division was established in July 2004 to focus on servicing small business customers with annual sales turnover of up to HK\$50 million, or an outstanding loan value with the Bank of up to HK\$20 million, which was previously serviced by WBG. In early 2008, PBG tightened its account review process and enhanced its security position with a higher proportion of the portfolio in order to manage worsening credit conditions in the small- to medium- enterprise business segment. The Bank believes that small business customers offer an excellent opportunity for cross-selling fee-based products and are an important source of interest income for the Bank. Since 2011, PBG has focused on growing its portfolio of residential mortgage and secured lending to SMEs. This has led to a growth in retail loan balance of 7.4 per cent. compared with year ended 2016 with an outstanding balance of retail loan balance of HK\$45.9 billion (US\$5.9 billion) as at 31 December 2017. In order to further expand PBG's business scale, two business banking centres were opened at Central and Tsimshatsui in late 2016 and February 2018, respectively, to offer comprehensive financial and wealth management solutions to our company customers.

Insurance Services

CITIC Insurance Brokers Limited (**CIBL**), a wholly owned subsidiary of the Bank, offers a diversified range of professional insurance services to its corporate customers. As a member of the Hong Kong Confederation of Insurance Brokers, CIBL is a full-service insurance consultancy broker providing tailor-made financial and insurance solutions. CIBL adopts a flexible, innovative and professional approach in recommending and selecting insurance products that meet its clients' needs and goals from products offered by over 100 local and international insurance companies.

Private Banking Business

PBG officially launched its private banking service in April 2011 to build a CITIC private banking platform in Hong Kong. By harnessing the strengths and market insights from the unique synergy created through the collaboration between the Bank and its parent CNCB, PBG is capable of providing a comprehensive range of premium wealth management solutions to high net worth individuals with assets under management of no less than US\$1.0 million and entrepreneurs in Mainland China and Hong Kong and has received an encouraging response.

Wholesale and Cross-border Banking Group

Overview

In 2012, the Wholesale Banking Group and China Banking Group were combined to form a new Wholesale and Cross-border Banking Group to accelerate collaboration and connectivity with CNCB/ CITIC Group and build on overseas operations to underpin CNCBI's "offshore banking platform" position and expand diversified revenue stream.

WBG continued to improve its asset quality while growing its business, managing the balance between risk and return through developing and putting into practice an improved risk-based pricing methodology and concentration risk management.

Key business and product areas of WBG

Corporate Banking I, II, III. The three Corporate Banking teams were formed with the aim to better serve the banking needs of state-owned enterprises in Mainland China, privately owned PRC enterprises who are leaders in their industries, existing core and strategic customers of CNCB with cross-border needs and non-PRC companies which are predominantly doing business in Mainland China and Hong Kong. Major areas of focus are Beijing, Shanghai, Guangzhou, Shenzhen and Hong Kong. Moreover, the three teams also provide tailor-made banking solutions to major multinationals and regional corporates who are active in overseas expansion and international trade.

Financial Institutions and Public Sector (FI&PS). The FI&PS team is responsible for expanding the Bank's marketing reach to banks and non-bank financial institutions in the region and offering banking solutions to government and quasi-government departments or bodies and non-profit making organisations.

Structured Finance (SF). The SF team is responsible for the origination, underwriting and distribution of syndicated and structured finance deals of the Bank. In addition, the team also specialises in commercial real estate debt financing, covering a broad range of property types.

Strategic Collaboration with CNCB

As the Bank's main interface for collaboration with CNCB and other CITIC Group entities in the Mainland China market, WBG continues to promote and co-ordinate business collaboration across all business lines between the Bank and CNCB as well as other CITIC subsidiaries. A series of business cooperation initiatives have been successfully introduced, including Overseas Lending Against Mainland Guarantee, Credit Facilities Against 3-Party/ 4-Party Agreement and Back to Back FX Solution.

Other specific areas for collaboration include organising client events jointly with CNCB in promoting cross-border syndications and structured financial solutions as well as introducing a revolutionary account aggregation service to cater for the group financial management needs of CNCB's and CNCBI's mutual customers through bank to bank connectivity. The two banks will also focus on training and development, particularly in areas such as credit and risk management.

Strengthen and expand overseas branches as the offshore business platform for CNCB

US branches. The Bank's businesses in the United States are conducted through its two branches located in Los Angeles and New York. The US branches work closely with local enterprises and US-based corporations engaged in PRC-related businesses and aim to meet the financial needs of Chinese corporations in the United States.

Macau branch. The Bank's branch in Macau, opened in 2005, strengthens the Bank's geographic reach and serves customers in the Western Pearl River Delta region. The branch's business is focused on Hong Kong businesses which have set up offshore companies in Macau, property funds and developers, and Macau corporates. The branch provides tailor-made services in the areas of trade finance, foreign exchange, remittances, loans and deposits, and selected mortgage finance to individual borrowers.

Singapore branch. The Bank opened its Singapore branch in 2011. The Bank's Singapore branch provides wholesale banking and global markets products and services to corporate and institutional clients. The branch will increasingly capitalise on opportunities arising from the internationalisation of the Renminbi, and growth opportunities in the economies of countries in the region. The branch's business is focused on corporations engaged in PRC-related trade.

Treasury and Markets Group

Overview

TMG has two principal functions: one function is to undertake the role of corporate treasury under the oversight of ALCO, and the other function is to undertake the role of Global Markets in managing and developing the trading and distribution business.

Under the oversight of ALCO, TMG's corporate treasury functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. Its objectives are to ensure the adequate supply of funds to finance the Bank's local and foreign currency business, to ensure ready access to financing through the money and capital markets, to lower the cost of funding through the use of various financial instruments and different sources of funding, and to invest the Bank's surplus liquidity in debt securities and funds according to the investment criteria set by ALCO.

The Global Markets function of TMG includes managing foreign exchange and interest rate trading risks, market-making of treasury products, and distribution of treasury solutions to the Bank's retail and wholesale customers. In order to enhance the Bank's wealth management business, TMG established its in-house product capability in structured products, and is focused on further building its distribution of wealth management products by working closely with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers.

Liquidity, Funding and Interest Rates Risk Management

Under the supervision of ALCO, TMG is responsible for managing the funding and liquidity of the Bank. It engages in inter-bank placing and borrowing, and fulfills the Bank's long-term funding requirements by issuing debt securities in both the local and international capital markets. Derivatives are used to swap assets or liabilities to fixed rate or floating rate exposure according to strategies set by ALCO. In addition to being able to issue Notes under the Programme as described in this Offering Circular, the Bank also has a HK\$25.0 billion (US\$3.2 billion) and a HK\$2.0 billion (US\$0.26 billion) certificates of deposit issuance facility that it utilises to secure longer term funding so as to reduce the mismatch between the Group's loan and deposit maturities. The Bank aims to structure its liability mix and strengthen its long-term sources of funds by issuing certificates of deposit at regular intervals. Through public syndication and placement, as at

31 December 2017, the Bank's outstanding certificates of deposit amounted to HK\$3.42 billion (US\$0.4 billion).

Another major function of TMG is to invest the surplus liquidity of the Bank under the supervision of ALCO. The interest rate sensitivity of the portfolio is set by ALCO. Surplus liquidity of the Bank is traditionally invested in high grade and liquid fixed income securities and primarily through the Bank's available-for-sale securities portfolio. As at 31 December 2017, this portfolio amounted to HK\$59.35 billion (US\$7.7 billion), and was primarily invested in senior debt of, and exchange fund bills and notes issued by investment grade international financial institutions and governments. The average credit rating of the securities within the portfolio is A-rated or above. Apart from generating extra income for the Bank, this portfolio is also a source of liquidity when necessary.

Customer-driven Trading and Distribution

TMG, which serves as an offshore platform for banking businesses of CNCB, has been focusing on its Non-Deliverable Forward business for clients of CNCB who wish to hedge their onshore exposures. In July 2010, Renminbi as an off-shore currency was introduced in the Hong Kong market, and deliverable products denominated in Renminbi have gradually grown popular. TMG expects customer demand for these treasury tools and solutions to continue to increase, and is focused on strengthening its structuring capabilities and service quality. TMG is also active in delivering structured products to individual investor customers through the Bank's retail banking channel.

TMG aims to develop and establish the Bank's global markets capabilities and to further develop its customer-driven trading and distribution capabilities in order to expand its revenue sources and to meet the increasingly sophisticated demands of its customers. In particular, it aims to leverage on CNCB's foreign exchange market-making leadership in Mainland China to develop timely and relevant customer solutions to capitalise on the liberalisation of RMB trade settlement between Mainland China, Hong Kong and the rest of the world.

Other Investments

The Group also invests in fixed income securities from time to time as a means to diversify its income source. The Group mainly invests in investment grade fixed income securities, with approximately 76.4 per cent. of the fixed income securities held by the Group as at 31 December 2017 being rated A-/A3 or above by Standard & Poor's Financial Service LLC or Moody's Investors Services Inc. Other than these fixed income securities, as of the date of this Offering Circular the Group did not have any material exposure to other types of investment, such as funds, structured investment vehicles, collateralised debt obligations and credit default swaps.

Properties

As at 31 December 2017, the Group owned properties with aggregate floor areas of approximately 37,670 square feet, 7,471 square feet and 10,003 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. In addition, as at 31 December 2017, the Group also leased properties with aggregate floor areas of approximately 172,558 square feet, 97,926 square feet and 19,067 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. These leased properties are used as offices, branches, staff quarters, business continuity sites and warehouses.

Outside of Hong Kong, as at 31 December 2017, the Group owned and leased approximately 10,268 square feet, 4,842 square feet, 7,600 square feet, 8,900 square feet and 14,161 square feet in Shanghai, Macau, Los Angeles, New York and Singapore, respectively. As at 31 December 2017, the Group also owned several apartments in Shenzhen of approximately 2,474 square feet, which are vacant or used as staff quarters. As at

31 December 2017, CBI (China) leased approximately 14,243 square feet and 15,255 square feet in Beijing and Shanghai, respectively as branches and 24,965 square feet in Shenzhen as the headquarters.

Insurance

The Group procured Banker's Blanket Bond, Computer Crime and Professional Indemnity Insurance to cover potential liabilities against acts including dishonesty, fraud, forgery or alteration, computer crime, internet banking exposure, breach of fiduciary duty, breach of professional duty, breach of statutory duty and misrepresentation and libel. The Bank maintains an "all risk" insurance coverage for its cash, owned properties and computers, public liability insurance and motor insurance. The Bank generally requires borrowers to obtain appropriate insurance coverage for certain types of security, such as residential premises.

The Bank has also acquired employee compensation, medical and earthquake insurance cover for the Bank's branches in Hong Kong, Macau, Singapore, New York and Los Angeles.

In addition, following the implementation of the Hong Kong Deposit Protection Scheme since September 2006, the Bank is required to pay contributions to the Hong Kong Deposit Protection Board to provide customer deposit protection for its customers.

Systems and Controls

The Bank operates in a highly regulated environment, and continually reviews and enhances its internal controls, compliance systems, operating policies and procedures. Each business unit and support unit is responsible for ensuring that the internal controls relevant to it are in place, and reviewing the adequacy and appropriateness of such internal controls in light of the changing regulatory requirements and international best practices.

The Bank's Operational Risk Management Committee (**ORMC**), which is chaired by the Head of Internal Control Group convenes on a regular basis. Among other duties, the ORMC monitors, reviews and evaluates the effectiveness of the Bank's operational risk framework and operational risk profile.

Litigation

The Group is not currently involved in any material litigation or other adversarial proceedings which is expected to have a significant impact on the Group and the Group is not aware of any circumstances under which any of the same is pending or threatened. See *"The Bank may be adversely affected by allegations made against it by its customers and/or its regulators"*.

Intellectual Property

The Group relies on domain name registrations to establish and protect its internet domain names. The Group has registered more than 400 internet domain names in various jurisdictions for its current operations.

Employees

As at 31 December 2017, the Group, on a consolidated basis had a total of 2,051 employees as set forth in the following table.

	No. of Employees
PBG, WBG and TMG	1,045
Head office and operational support	719
Overseas (Mainland China, Macau, Singapore and the United States)	287
Total:	2,051

As at 31 December 2017, approximately 26 per cent. of the Group's employees, on a consolidated basis, performed supervisory and management functions, while the remaining 74 per cent. performed business and operational support functions.

The Group places high priority on its ongoing efforts to attract, motivate and retain talent through a combination of prudent people management practices, employee care, sports and recreation programmes, and market-aligned compensation schemes. Emphasis is also placed on performance management, with variable rewards linked to results through differentiation and levelling.

At the same time, training and development remain at the core of the Group's talent development and retention strategy. The Group's staff force received an average of 4.9 training days during the year of 2017, covering business, technical, leadership, managerial, and personal effectiveness training as well as attainment of professional qualifications.

The Board also believes that the Group maintains a good relationship with its employees. None of the Group's employees are members of a trade union. The Group provides staff housing loans and contingency loans, as well as life, personal accident and medical insurance benefits for its employees. The Group maintains a Mandatory Provident Fund Scheme as well as an ORSO Provident Fund Scheme (The China CITIC Bank International Provident Fund) for its employees.

Competition

The Hong Kong banking industry is well developed and the Group faces intense competition from many other Hong Kong banks as well as PRC and international banks. In particular, the banking and financial services industry in Hong Kong is a mature market, and as at 31 March 2018, supported 22 Hong Kong incorporated licensed banks and 137 banks incorporated outside Hong Kong competing for a customer population of approximately 7.4 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group.

With the PRC's growing economic strength and the liberalisation of the PRC banking industry since 2005, major PRC financial institutions, especially those with H-share listings in Hong Kong, have started to embrace internationalisation strategies that leverage Hong Kong as a strategic platform for overseas expansion. Since 2006, PRC banks have been active in acquiring Hong Kong commercial banks to gain immediate access to branch networks as well as operational presence in Hong Kong and overseas. As a result, smaller local and family-owned commercial banks in Hong Kong are increasingly vulnerable to becoming acquisition targets or face the risk of being marginalised.

The intensity of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending businesses has become intense.

Since 2000, many banks in Hong Kong, including the Bank, have lowered interest rates charged on new-home mortgage loans not guaranteed by the Hong Kong government. Despite a slight increase in such interest rates in 2008, competition in the mortgage loans market remains intense. In 2011, with interest rates at an extremely low level, a significant portion of new-home mortgage loans charged by banks in Hong Kong was HIBOR based. As at 31 December 2017, the standard rate the Bank charged on its new-home mortgage loans was 3.10 per cent. below the prime lending rate or 140 basis points above HIBOR.

As a result of the intensified competition among banks, the Bank has experienced downward pressure on its profit margins in recent years. To counter the effects of increased competition, the Bank has actively pursued a strategy of diversifying its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. See “*Investment Considerations — Considerations relating to the Group — The Group is subject to significant competition*”.

Principal Subsidiaries

The Bank’s subsidiaries are involved in the provision of general banking and other financial services. Details of the Bank’s principal subsidiaries and its effective equity interest in each, as at 31 December 2017, are set out below.

Name of Company	Place of incorporation/ operation	% of shares held	Principal activities	Issued ordinary share capital
Subsidiary				
Carford International Limited.....	Hong Kong	100%	Property holding	HK\$2
CITIC Bank International (China) Limited..	People’s Republic of China	100%	Banking	RMB1,000,000,000
CITIC Insurance Brokers Limited.	Hong Kong	100%	Insurance broker	HK\$5,000,000
CKWB-SN Limited	Cayman Islands/Hong Kong	100%	Issue of structured notes and investments	US\$1
CKWH-UT2 Limited	Cayman Islands/Hong Kong	100%	Issue of subordinated notes	US\$1
HKCB Finance Limited.....	Hong Kong	100%	Consumer financing	HK\$200,000,000
The Hongkong Chinese Bank (Nominees) Limited	Hong Kong	100%	Nominee services	HK\$5,000
The Ka Wah Bank (Trustee) Limited	Hong Kong	100%	Trustee services	HK\$3,000,000
Viewcon Hong Kong Limited.....	Hong Kong	100%	Mortgage financing	HK\$2

SELECTED STATISTICAL AND OTHER INFORMATION RELATING TO THE GROUP

Loan Portfolio

Overview

As at 31 December 2017, the Group's total loans to customers were HK\$196,286.9 million (US\$25,327.3 million) which represented 57.0 per cent. of its total assets. Home mortgage loans and loans for property investment represented 20.8 per cent. of the Group's total loans to customers as at 31 December 2017.

The table below sets forth a summary of the Group's loans by sector as at the dates indicated.

Loans and advances to customers analysed by industry sectors

The following economic sector analysis as at the dates indicated are based on categories and definitions used by the HKMA.

	As at 31 December 2016			As at 31 December 2017		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$ (in millions)	US\$ (in millions)		HK\$ (in millions)	US\$ (in millions)	
Industrial, commercial and financial.....						
—Property development.....	13,578.8	1,752.1	7.4%	17,177.3	2,216.4	8.7%
—Property investment.....	25,060.9	3,233.7	13.6%	26,312.6	3,395.3	13.4%
—Financial concerns.....	9,171.3	1,183.4	5.0%	16,250.3	2,096.8	8.3%
—Stockbrokers.....	3,131.0	404.0	1.7%	6,564.2	847.0	3.3%
—Wholesale and retail trade.....	17,002.5	2,193.9	9.2%	14,236.2	1,836.9	7.2%
—Manufacturing.....	10,063.5	1,298.5	5.5%	17,020.1	2,196.1	8.7%
—Transport and transport equipment	2,946.2	380.1	1.6%	2,356.4	304.1	1.2%
—Recreational activities.....	1,205.6	155.6	0.7%	813.8	105.0	0.4%
—Information technology.....	3,451.4	445.3	1.9%	221.3	28.6	0.1%
—Others.....	9,831.7	1,268.6	5.4%	10,155.9	1,310.4	5.2%
Individuals						
—Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme.....	11.5	1.5	0.0%	24.3	3.1	0.0%
—Loans for the purchase of other residential properties.....	13,407.5	1,730.0	7.3%	14,439.8	1,863.2	7.4%
—Credit card advances.....	445.8	57.5	0.2%	503.8	65.0	0.3%
—Others	8,304.3	1,071.5	4.5%	8,950.7	1,154.9	4.6%
Gross loans and advances for use in Hong Kong	117,612.0	15,175.7	64.0%	135,026.7	17,422.8	68.8%
Trade finance.....	10,644.6	1,373.5	5.8%	6,564.6	847.0	3.3%
Gross loans and advances for use outside Hong Kong	55,507.6	7,162.3	30.2%	54,695.6	7,057.5	27.9%

	As at 31 December 2016			As at 31 December 2017		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	US\$		HK\$	US\$	
Gross loans and advances to customers	183,764.2	23,711.5	100.0%	196,286.9	25,327.3	100.0%

Notes:

- (1) “Others” includes loans which are used to finance the general working capital of conglomerates including conglomerates in the hotel, retail, import and export, civil engineering, gas and electricity industries.
- (2) “Others” includes personal loans, tax loans and loans for the purchase of commercial and industrial properties.
- (3) This refers to loans to customers with a principal place of business outside Hong Kong.

Geographical concentration

A significant proportion of the Group’s loans to customers are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or are guaranteed by entities domiciled in the PRC and thus have risk transferred to PRC country risk. As at 31 December 2017, Mainland China-related loans accounted for 36.2 per cent. of the Group’s total loans to customers. See “— *Asset quality*”.

The table below sets forth a summary of the Group’s loans to customers by geographical location as at the dates indicated.

	As at 31 December 2016			As at 31 December 2017		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	US\$		HK\$	US\$	
	(in millions, except percentages)			(in millions, except percentages)		
Hong Kong.	93,833.0	12,107.5	51.1%	107,422.7	13,861.0	54.7%
Mainland China	66,771.7	8,615.7	36.3%	71,077.9	9,171.3	36.2%
United States.....	5,807.2	749.3	3.2%	6,672.6	861.0	3.4%
Singapore.....	5,504.1	710.2	3.0%	3,705.6	478.1	1.9%
Others.	11,848.2	1,528.8	6.4%	7,408.1	955.9	3.8%
Total	183,764.2	23,711.5	100.0%	196,286.9	25,327.3	100.0%

Notes:

- (1) The geographical breakdown is classified by the location of the counterparties after taking into account the transfer of risk and therefore, where a claim guaranteed by a party is situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.
- (2) “Others” includes Bermuda, British Virgin Islands, the United Kingdom, the Cayman Islands, Macau, Taiwan and the United Arab Emirates.

Customer loan concentration

The Banking Ordinance (Cap. 55) of the laws of Hong Kong (the **Banking Ordinance**) generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0 per cent. of its capital base. For a discussion of financial exposure, see “*Regulation and Supervision — Principal Obligations of Authorised Institutions — Financial exposure to any*”.

one customer”. As at 31 December 2017, the Group’s 20 largest borrowers (including groups of individuals and companies) accounted for HK\$63,513.2 million (US\$8,195.3 million). As at 31 December 2017, the Group’s five largest borrowers (including groups of individuals and companies) accounted for HK\$24,921.1 million (US\$3,215.6 million) with the largest borrower accounting for HK\$5,960.1 million (US\$769.0 million) or 12.4 per cent. of the Group’s capital base. As at 31 December 2017, 12.3 per cent. of the total loans to customers was represented by outstanding loans to individual borrowers of HK\$23,918.5 million (US\$3,086.3 million).

Loan analysis

A significant proportion of the Group’s loans are advanced for the purchase of residential property. 10.9 per cent. and 11.8 per cent. of total loans to customers had a remaining maturity of more than five years as at 31 December 2016 and 31 December 2017, respectively. The following table sets forth a summary of the Group’s total loans to customers by remaining maturity as at the dates indicated.

	As at 31 December 2016			As at 31 December 2017		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	US\$		HK\$	US\$	
	<i>(in millions, except percentages)</i>			<i>(in millions, except percentages)</i>		
Repayable on demand.....	1,336.2	172.4	0.7%	5,964.8	769.7	3.0%
Three months or less but not repayable on demand.	30,598.3	3,948.2	16.7%	35,118.1	4,531.4	17.9%
One year or less but over three months..	70,210.5	9,059.4	38.2%	56,903.7	7,342.4	29.0%
Five years or less but over one year	57,707.4	7,446.1	31.4%	71,587.9	9,237.1	36.5%
After five years	19,994.8	2,580.0	10.9%	23,104.4	2,981.2	11.8%
Undated ⁽¹⁾	3,917.0	505.4	2.1%	3,608.0	465.5	1.8%
Total:	<u>183,764.2</u>	<u>23,711.5</u>	<u>100.0%</u>	<u>196,286.9</u>	<u>25,327.3</u>	<u>100.0%</u>

Note:

(1) This refers to loans whose repayments are overdue for more than one month and impaired loans.

The Group’s interest rate for home mortgage loans and commercial mortgage loans in Hong Kong typically ranges from 3.1 per cent. below the prime lending rate to 1.20 per cent. above the prime lending rate. The Group’s interest rate for Hong Kong dollar consumer finance or personal loan products (other than overdrafts) is generally calculated on the initial principal amounts of such loans and typically ranges from 0.045 per cent. to 1.7 per cent. per month and for overdrafts may be as high as 3.250 per cent. above the prime lending rate. The Group’s interest rates for Hong Kong dollar hire purchase and equipment leasing loans are with floating rates or at prime lending rates. Trade finance loans made by the Group are typically with floating rates. The interest rate for project finance loans and syndicated loans made by the Group is typically a margin over the HIBOR or, in the case of US dollar facilities, a margin over the London inter-bank offering rate. The Group may, in appropriate circumstances, offer rates which are lower than the above rates. As at 31 December 2017, 53.9 per cent. of total loans to customers made by the Group was denominated in Hong Kong dollars while the remainder was denominated primarily in US dollars.

An important component of the Group’s asset and liability policy is its management of interest rate risk, which is the relationship between market interest rates and the Group’s interest rates on its interest-earning assets and interest-bearing liabilities. See “— *Asset and Liability Management*”.

Home mortgage loans are generally secured by a first legal charge over the underlying property. Working capital loans for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term loans for specific projects or developments are typically secured against the underlying project's assets and its receivables, while the sponsors or shareholders typically provide additional guarantees. The Group also receives guarantees in relation to certain of its other loans to cover, in the case of trade finance, any shortfall in security or, in the case of consumer loans to younger or less financially secure customers, to provide security on what are normally unsecured loans.

All forms of security taken as collateral against credit facilities are monitored by the respective departments which extended the loans. Collateral in the form of property is typically valued by an independent valuer at the origination of the loan. With the exception of home mortgage loans, which are not subject to regular reviews, collateral is generally reviewed on an annual basis by the department which extended the loan.

Credit Policies and Approval Procedures

Internal policies and procedures

The Bank's lending policies have been formulated in line with international standards and industry best practice as well as with close reference to the Banking Ordinance, HKMA guidelines and policies of the Hong Kong Association of Banks and other statutory requirements (and in the case of overseas branches and subsidiaries, the relevant local laws and regulations).

The Group has established loan-to-value ratio requirements for its secured lending based on the appraised market value of the relevant collateral. Loan-to-value ratios on home mortgage loans (excluding loans under the Home Ownership Scheme and Private Sector Participation Scheme and loans under the new mortgage refinancing scheme), directly follow the limits stipulated in the HKMA guidelines depending on the property type and the property price. Underlying property values are based on the lower of the purchase price or the independently appraised value of the property. The Group's lending policies also limit the maximum monthly repayment amount as a percentage of the gross household income of a borrower in accordance with the HKMA guidelines.

The Group has set limits on the Group's banking operations, reinforced the management of operational risks, including risk analysis for new products, and adopted a system for measuring foreign currency derivatives. The Bank has also enhanced its credit review process with the implementation of a total exposure limit system that enforces maximum exposure limits by business groups. With an independent credit management unit in each of the Group's main lines of business, credit origination and approval functions are separated, enabling independent credit evaluation. Loan application and credit reports are standardised. The Bank has control procedures in credit approval and exposure monitoring for new business areas, such as setting up of approval criteria, authorisation procedures, provisioning policy and portfolio quality tracking were also put in place. The Group has also developed a risk based pricing tool based on facility rating and capital consumption. The tool is being used at the point of credit application to assess the profitability of the deals from a risk perspective for the WBG portfolio.

Within the Group, the credit risk management function is centralised and is governed by the Credit and Risk Management Committee (**CRMC**) at Board level of the Bank, see "*Credit and Risk Management Committee*". The CRMC defines and delegates the approval authority to three credit related functional committees: the Credit Committee, the Non-Performing Loans Committee (**NPL Committee**) and the Investment Review Committee, which focus on different aspects of the credit risk management function of the Group. These three committees comprise the Chief Executive Officer of the Bank, the Chief Risk Officer of the Bank and other members of senior management. The Credit Committee has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's loan portfolio. The NPL Committee

controls and manages all critical credits and approves loan impairments. The Investment Review Committee manages and monitors the risks (including credit risk) of the investment portfolio of the Group.

Under the oversight of the Credit Committee, officers of the Bank are authorised to approve credit based on the size of the loan, the collateral provided and the credit standing of the applicant. In order to improve efficiency and allow the Credit Committee to be more focused on appraising and approving larger and more complicated credits, the lending authority matrix empowers experienced and skilled managers with the responsibility for appraising and approving transactions that are of a lower risk profile and with a lower expected loss.

For its corporate commercial loans and trade finance loans, the Bank has instituted an internal credit scoring system which grades the creditworthiness of a potential borrower based upon a set of expert judgment risk factors together with comprehensive financial analysis and scoring criteria. The credit scoring system comprise a 24-grade internal risk rating system. The credit score given to a potential borrower and related obligors will help determine whether the Bank will extend credit to such borrower, the size of the loan facility, the pricing on the loan and whether collateral will be required. See “— *Asset Quality* — *Loan Classification*”.

For the Group’s retail banking loans, such as credit cards and personal loans, a TransUnion Information Services Limited check (**TU Check**) is carried out for credit information of the particular borrower. The Bank plans to expand its retail lending business selectively and prudently. All credit cards and personal loans are subject to a TU Check, although the Bank does not implement any credit scoring system for hire purchase and equipment financing loans. In the case of taxi and public light bus financing, the Bank approves the size of financing on the basis of the value of collateral (including the vehicle, operating licence and any dealer’s guarantee) and the future cash flow of the borrower comprising rental or operating income that can be derived from the vehicle. In approving any equipment financing, the Bank primarily focuses on the repayment ability of the borrower as indicated by the debt-service ratio of the borrower calculated by the Bank in accordance with a prescribed formula rather than the value of the equipment.

Risk Management Group

The Risk Management Group is responsible for: (i) credit policy formulation; (ii) credit evaluation; (iii) authorisation and approval; (iv) compliance with credit policies and approval conditions; and (v) exposure control. The Risk Management Group’s key objectives are to evaluate new credit applications and review existing accounts to ensure sound credit and robust asset quality monitoring. When loans are graded sub-standard or below by the Group, such loans will generally be transferred to the Risk Assets Management of Risk Management Group (**RAM**) which will institute the appropriate debt recovery actions.

Asset Quality

Overview

The Group’s classified loans accounted for HK\$2,464.0 million (US\$317.9 million) as at 31 December 2017, representing 1.26 per cent. of the Group’s total loans to customers.

The Bank’s residential mortgage delinquency ratio was 0.1 per cent. as at 31 December 2017, which was above the industry average of 0.03 per cent. as announced by the HKMA. As at the date of this Offering Circular, the Bank has a credit rating of “BBB” from Fitch Ratings and a credit rating “Baa1” from Moody’s.

The Group’s PRC exposure accounted for 36.2 per cent. of the Group’s total loans to customers as at 31 December 2017. PRC-related non-performing loans as a percentage of the Group’s total non-performing loans have been increased from 37.4 per cent. as at 31 December 2008 to 39.2 per cent. as at 31 December 2017. The Group plans to expand its PRC lending business selectively and prudently by leveraging off the

established network and relationships in the PRC of the CITIC Group. See “— *Credit Policies and Approval Procedures — Internal policies and procedures*”.

The performance of the Hong Kong economy is heavily dependent on the property sector. The Group’s property lending accounted for 29.5 per cent. of the Group’s total loans to customers as at 31 December 2017. As a result, the Group’s asset quality is closely correlated to the industry performance of the property markets. As at 31 December 2017, home mortgage loans accounted for HK\$14,464.1 million (US\$1,866.3 million) or 7.4 per cent. of the Group’s total loans to customers. Home mortgage loans accounted for one of the largest segments of the Group’s total loans to customers. See “*Risk Factors — Considerations relating to the Group — The Group has significant exposure to the Hong Kong property market*”.

RAM is responsible for resolving the Group’s exposure to non-performing loans and improving the Group’s recovery on such non-performing loans. In general, loans are transferred to RAM once they have been classified as sub-standard or below.

Loan classification

In 2005, the Group developed a judgment-based risk rating system which is used to rank borrowers of the Bank’s wholesale banking portfolio based on their default risk. In 2011, these ratings were deployed into a new credit rating platform. In 2017, the Group adopted a new and more granular 24-grade internal risk rating system that maps to external agencies’ Master Scales, providing calibrated internal rating. This model was developed to assess the creditworthiness of borrowers and output from the model will then be mapped to HKMA loan classification.

The rating system can provide information on the borrower’s credit quality and allow credit grade migration, monitoring and analysis. It provides significant value-added benefits to the Bank’s strategic and business decision-making process in terms of asset allocation and portfolio management of credit grades distribution.

The Group’s credit grading classifies loans into the following 24 categories:

- Grades 01 to 18 — pass;
- Grade 19 to 21 — special mention; and
- Grades 22 to 24 — classified loans.

A borrower risk rating estimates the borrower’s default risk. It is used to classify borrowers into different risk categories according to their level of default risk mapped against default experience. Borrower risk ratings should provide a meaningful risk differentiation and should be calibrated to the borrower’s Probability of Default (**PD**). The structure of the master rating scale is specified with a PD range for each grade. Each internal grade reflects the likelihood that a borrower will default.

Recognition of classified loans

The Group’s classified loans are sub-divided into three categories: sub-standard (Grade 22), doubtful (Grade 23) and loss (Grade 24). A key driver for determining a loan classification is the number of overdue days. For the WBG and PBG Business Banking portfolio, sub-standard loans are loans overdue for 91 to 180 days, doubtful loans are loans overdue for over 180 days and loss loans are loans with remote collectability. For the PBG personal loan portfolio, a more stringent classification is adopted; sub-standard loans are loans overdue for 91 to 120 days, doubtful loans are loans overdue for 121 to 180 days and loss loans are loans overdue for over 180 days or with remote collectability. The Group would only consider not downgrading a loan in accordance with the overdue days when there is good justification that is in line with the guidance of the HKMA. Even when there is no overdue day, the Group may still consider downgrading a loan as sub-standard, doubtful or loss loans if there are severe trigger events such as liquidation, bankruptcy, winding-up,

receivership and proven management fraud. The terms “classified loans”, “impaired loans” and “non-performing loans” are used synonymously in this Offering Circular and refer to loans that are classified as sub-standard, doubtful and loss.

Impairment of loans and receivables

Before 2018, the Group adopted the collective assessment approach and the individual assessment approach in accordance with the HKAS 39 to ascertain the impairment amounts of its non-impaired and impaired credit exposures. The accounting policy for the impairment of loans and receivables is set out in the F-pages of this Offering Circular.

All non-impaired corporate credit exposures were subject to regular collective impairment assessment by major industry sectors. The assessment framework took into consideration the Group’s loss experience, emerging period factors and macroeconomic factors.

With respect to impaired corporate loans, individually assessed provision was made according to the prospects for recovery. Whenever the likelihood of recovery appeared remote, bad and doubtful corporate debts were written off.

With respect to unsecured personal credit exposures, both impaired and non-impaired were subject to collective impairment assessment. The collective assessment framework for personal credits took into account the bankruptcy rate, decease rate and account migration rate. For secured personal credit exposures, the collective impairment assessment was conducted for non-impaired loans while the impaired loans were subject to individual assessment. Whenever the likelihood of recovery appeared remote, impaired personal debts were written off.

Commencing 1 January 2018, the HKFRS 9 was adopted for impairment assessment. The stage 3 impairment assessment is applied to non-performing loans.

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue known as HKFRS 15 which replaces HKAS 18. The Group has assessed the impact of HKFRS 15 and expects that the standard will not have a significant impact, when applied, on the consolidated financial statements of the Group.

Top ten non-performing loans

As at 31 December 2017, the Group’s ten largest non-performing loans accounted for 1.15 per cent. of its total loans to customers and 91.2 per cent. of its gross non-performing loans to customers. As at 31 December 2017, the Group’s exposure from its ten largest non-performing loans ranged from HK\$45.0 million (US\$5.8 million) to HK\$761.7 million (US\$98.3 million), and amounted to approximately HK\$2,248.3 million (US\$290.1 million) in the aggregate out of HK\$2,464.0 million (US\$317.9 million) of non-performing loans in total, of which the Hong Kong exposure accounted for approximately 48.22 per cent., the PRC exposure accounted for approximately 40.19 per cent., and exposure to others accounted for approximately 11.58 per cent.

Recovery of non-performing and classified loans

RAM is responsible for managing non-performing loans that are transferred from WBG and other business units in the Bank. Accounts that are transferred to RAM are reviewed and monitored on an ongoing basis and, depending on the performance of the account, RAM may recommend the restoring of the loan to normal status, the restructuring of the loan or the commencement of debt collection or asset recovery procedures.

RAM adopts a systematic and flexible approach towards the recovery of non-performing and classified loans through means such as enforcement of security, debt restructuring, asset swaps and settlement. In certain circumstances, particularly in relation to PRC-related loans, RAM may conduct asset-for-debt swaps and

accept assets such as equity interests in PRC businesses and land for residential or commercial development in the PRC. Where appropriate, risks and problems associated with transfer of legal title are managed with the advice of PRC legal advisers.

Even after a non-performing loan has been written off, RAM will continue its recovery efforts until it is satisfied that all recovery efforts have been exhausted, in which case it will recommend the closing of the account.

The Group's classified loans are resolved on a case-by-case basis, subject to the approval of the NPL Committee on the restructured limits and recovery measures. Loans are generally considered for restructuring where there has been a deterioration in the financial position or repayment capability of a customer. For the year ended 31 December 2017, the Group resolved a total of HK\$976.2 million (US\$126.0 million) of classified loans, as a result the total impaired loan was HK\$2,464.0 million (US\$317.9 million) as at 31 December 2017, equating to 1.26 per cent. of all loans. For the year ended 31 December 2016, the Group resolved a total of HK\$629.9 million (US\$81.3 million) of classified loans, as a result the total impaired loan was HK\$1,766.7 million (US\$228.0 million) as at 31 December 2016, equating to 0.96 per cent. of all loans.

Asset and Liability Committee

ALCO comprises senior management of the Bank, including the President & Chief Executive Officer, Chief Financial Officer, Treasurer, Head of Central Treasury Unit, Head of Global Markets, Head of Wholesale and Cross-border Banking Group, Head of Personal and Business Banking Group, Chief Risk Officer, Head of Market Risk and Liquidity Modeling, Head of Internal Control Group, and Head of Asset and Liability Management and Capital Management.

ALCO regularly makes assessments and recommendations on issues that are likely to impact the Group's financial condition, including the management of interest rate risk, liquidity risk, capital, asset and liability mix and key strategic investments. ALCO needs on a bi-weekly basis or less frequently, if appropriate, but at least once a month under any circumstances to formulate the Bank's asset and liability strategies. TMG is responsible for the daily management of the discretionary portion of the Bank's assets and liabilities within the approved internal limits, including repricing gap limits.

The Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of gap analysis. This analysis provides the Bank with a static view of re-pricing characteristics of its balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to repricing dates. This would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income with the anticipated change in interest rate.

The Bank's liquidity structure, derived from its assets, liabilities and contingent commitments, is managed so as to ensure that all of the Bank's operations can meet their funding requirements and comply with the statutory liquidity requirements. The liquidity risk is well managed by holding sufficient cash and liquid positions as well as a pool of high quality liquid assets. Access to inter-bank borrowing is maintained through sufficient counterparty money market as well as repurchase facilities. Moreover, the Bank also solicits longer term funding through regular issuance of medium-term certificates of deposit.

The Chief Financial Officer of the Bank reports the Bank's liquidity position on a daily basis while TMG proactively manages the Bank's liquidity position by carrying out daily forecasts. The average liquidity maintenance ratio of the Bank was 60.8 per cent. for the year ended 31 December 2016 and 59.6 per cent. for the quarter ended 30 September 2017. With the designation of the Bank as a Category 1 institution as of 1 October 2017, the Bank is required to fulfil the statutory liquidity coverage ratio requirement, which superseded the liquidity maintenance ratio requirement. The average liquidity coverage ratio was 177.6% for

the quarter ended 31 December 2017. In each case, the average liquidity maintenance ratio and the average liquidity coverage ratio was well above the statutory minimum ratios of 25 per cent. and 80 per cent. in 2017 respectively.

The majority of the Bank's loans is made at floating rates that are benchmarked against the inter-bank rates and prime lending rate. These assets are primarily funded by floating rate liabilities, including customer deposits and certificates of deposit. The interest rate risk, basis risk and liquidity risk of the Bank's assets and liabilities are continuously monitored by ALCO and if necessary, ALCO may take necessary action to mitigate these risks, such as using interest rate swaps to hedge against rises in interest rates.

Credit and Risk Management Committee

The CRMC was established in 2002 at the Board level of the Bank to oversee the Bank's risk management strategy, appetite/tolerance, profile and capital adequacy. The risks concerned primarily include credit, market, interest rate, liquidity, operational, reputation, legal, strategic, fraud and compliance risks. The CRMC is responsible for overseeing key matters encompassing the Bank's Risk Appetite Statement, Internal Capital Adequacy Assessment Process and Stress Tests. The CRMC carries out its oversight function on the Bank's risk management through various committees at the Bank's management level, including: Credit Committee, Investment Review Committee, NPL Committee, ALCO, ORMC, Market Risk Committee, Fraud Risk Management Committee and Compliance Committee. The CRMC comprises four Directors of the Bank, including three Independent Non-executive Directors.

Market Risk Committee

Market Risk Committee (**MRC**) was established by the Credit & Risk Management Committee (**CRMC**) of the Bank's Board to manage and monitor the market risk and fair value related matters of the Bank including its branches and subsidiaries.

MRC is chaired by the Chief Risk Officer (**CRO**) from Risk Management Group, and comprises senior management of the Bank, including President & Chief Executive Officer (**CEO**), Head of Wholesale & Cross-Border Banking Group, Head of Personal & Business Banking Group, General Counsel, Acting Treasurer from Treasury and Markets Group, Head of Trading from Treasury and Markets Group, Chief Financial Officer and Head of Market Risk and Liquidity Modeling.

MRC provides oversight on the Bank's operations related to market risk. It has the authority to direct the Bank's management in the setting of strategies related to market risk. It manages market risks of the Bank within acceptable level in a manner consistent with the overall goals of the Bank. It sets and reviews commensurate limits to monitor the Bank's market risk. It has the authority to disapprove or suspend any product or activity proposed or conducted by the Bank if it deems they are not in sync with the Bank's approved objective, strategy and business plans, or if the risk level present is unacceptable, or if management fails to institute an effective risk management mechanism for such product or activity.

MRC also provides oversight in relation to financial instruments fair value governance and operations, and escalates significant valuation issues to CRMC to ensure awareness of major matters related to fair value governance and regulations.

Internal Auditing

The Internal Audit Group of the Bank has responsibility for the internal audit of its operations. Through regular audits of the Bank and its subsidiaries, the Internal Audit Group seeks to review and evaluate the adequacy and effectiveness of internal controls, safeguard its assets, improve efficiency of operations and

assess compliance with established policies, procedures and relevant statutory requirements. The Internal Audit Group reports its findings to the Chairman of the Board and the Chief Executive Officer of the Bank as well as the relevant subsidiaries and departments of the Bank. All major findings are reported to the Audit Committee designed by the Board on a monthly basis. Such findings are also shared with the Bank's external auditors and can also be made available to the HKMA on request.

Legal and Compliance

The Legal Department and Compliance Group are respectively responsible for administering legal issues and regulatory compliance issues concerning the Bank's business. Both the Legal Department and the Compliance Group also respectively review new products and business proposals from the legal perspective and compliance perspective. Another key function of the Bank's Compliance Group is to conduct periodic reviews of certain of the Bank's activities, advise senior management in accordance with applicable laws, rules and regulations and raise compliance awareness among staff members. The Compliance Manual, which is updated regularly, was first issued to all staff members of the Bank in November 2001 and regular training sessions are conducted to update them on any significant legal and regulatory changes relevant to the operations of the Bank.

MANAGEMENT

The Bank is managed by the Board, which is responsible for the direction and management of the Bank. The articles of association of the Bank does not contain any provision about the minimum or maximum number of directors of the Bank. Directors can be appointed at any time either by the shareholders or by the Board. At each annual general meeting, all Directors are required to retire from office by rotation and are eligible at the same meeting for re-election.

The aggregate emoluments, consisting of fees, salaries, allowances and benefits in kind, pension contributions and bonuses, of the Directors for the year ended 31 December 2017 was HK\$42 million (US\$5.42 million).

Board of Directors

The current Board comprises the following individuals:

Name	Age	Title
SUN Deshun.....	59	Chairman
ZHANG Xiaowei	60	President & Chief Executive Officer
KAN NG Chau Yuk Helen	56	Alternate Chief Executive Officer
FANG Heying.....	51	Non-executive Director
TANG Shisheng.....	61	Independent Non-executive Director
TSANG King Suen Katherine	60	Independent Non-executive Director
WANG Guoliang	65	Independent Non-executive Director
WU Jiesi	66	Independent Non-executive Director

Mr. Sun Deshun

(Chairman)

Appointed Director of the Bank on 15 March 2013 and further elected Chairman on 15 May 2015. Mr. Sun is currently an Executive Director and President of China CITIC Bank Corporation Limited and a Non-executive Director of CITIC International Financial Holdings Limited. Mr. Sun has more than 30 years of experience in the banking industry in China. Before joining China CITIC Bank Corporation Limited in 2011, he had served in Bank of Communications as Vice President of its Beijing Management Department and President of the Beijing Branch. Prior to that, he had worked in the Haidian Office, Haidian Sub-branch, Beijing Branch and Head Office Data Centre (Beijing) of The Industrial and Commercial Bank of China in various positions including Assistant President and Vice President of its Beijing Branch and General Manager of the Head Office Data Centre (Beijing). He had also worked in The People's Bank of China. Mr. Sun graduated from Dongbei University of Finance and Economics with a Master's Degree in Economics. He was named a "Senior Economist" by The Industrial and Commercial Bank of China.

Mr. Zhang Xiaowei

(Executive Director, President & Chief Executive Officer)

Appointed Director and Chief Executive Officer of the Bank on 22 October 2012. Mr. Zhang is presently an Executive Director, President and Chief Executive Officer of the Bank. He is also Chairman or Director of various subsidiaries of the Bank, including CITIC Bank International (China) Limited, CITIC Insurance Brokers Limited and HKCB Finance Limited, and Director of Carford International Limited, CKWB-SN Limited, CKWH-UT2 Limited, Ka Wah International Merchant Finance Limited, Security Nominees Limited, Sino-Allied Development Limited, The Hongkong Chinese Bank (Nominees) Limited, The Ka Wah Bank (Nominees) Limited and Viewcon Hong Kong Limited. A veteran banker with 33 years of experience in the banking industries in Mainland China and Hong Kong, Mr. Zhang was formerly a Non-executive Director of China CITIC Bank Corporation Limited and had held various senior positions at Agricultural Bank of China and Bank of Communications. He was also Vice President of the Hong Kong Branch of Bank of Communications and President of the Hong Kong Branch of China Merchants Bank. Prior to joining the Bank, Mr. Zhang was an Executive Director, General Manager and Alternate Chief Executive Officer of Wing Lung Bank. Mr. Zhang holds a Bachelor's Degree in Economics from the Beijing Economics Institute and a Master's Degree in Monetary and Banking from the Graduate School of The People's Bank of China. He was appointed Vice President of The Hong Kong Institute of Bankers in August 2013.

Mrs. Kan Ng Chau Yuk Helen

(Executive Director, Alternate Chief Executive Officer and Group Head of Personal & Business Banking)

Appointed Director and Alternate Chief Executive Officer of the Bank on 15 March 2013. Mrs. Kan is also Group Head of Personal & Business Banking of the Bank, and Director of various subsidiaries of the Bank, including CITIC Bank International (China) Limited, CITIC Insurance Brokers Limited, CKWB-SN Limited and Viewcon Hong Kong Limited. She is also a Director of Nova Credit Limited. Mrs. Kan has 31 years of experience in the banking and finance industry. Over the years, Mrs. Kan had held various senior positions across a broad spectrum of banking and finance exposures in Hong Kong, Mainland China and other global markets. Prior to joining the Bank, she was Standard Chartered Bank's Global Head of Distribution in charge of the strategic development and performance of distribution channels. Mrs. Kan holds an Honours Degree in Management and Economics, and a Master's Degree in Laws from The University of Hong Kong. She was appointed Council Member of The Hong Kong University of Science and Technology in August 2017.

Mr. Fang Heying

(Non-executive Director)

Appointed Director of the Bank on 24 March 2016. Mr. Fang is currently Vice President and Chief Financial Officer of China CITIC Bank Corporation Limited. He is also a Non-executive Director of CITIC International Financial Holdings Limited and a Director of CNCB (Hong Kong) Investment Limited. Mr. Fang joined China CITIC Bank Corporation Limited in 1996 and was formerly the President of Suzhou Branch, President of Hangzhou Branch and Business Director of Financial Markets. He served as a Vice President of China CITIC Bank Corporation Limited since November 2014. Mr. Fang was a "Senior Economist". He graduated from Hunan College of Finance and Economics with a Bachelor's Degree in Finance and obtained an Executive Master's Degree in Business Administration from Peking University.

Mr. Tang Shisheng***(Independent Non-executive Director)***

Appointed Independent Non-executive Director of the Bank on 13 November 2013. Mr. Tang is Chairman of Hodojou Technology Co., Ltd., Executive Director of Beijing Sinosoft Co., Ltd., and Independent Director of Geo Jade Petroleum Corporation, Wison Engineering Services Co. Ltd. and Chongqing Three Gorges Bank Co., Ltd. He has extensive experience in finance and securities industries. Mr. Tang graduated from Hunan College of Finance and Economics with a Bachelor's Degree in Finance. He received his Master's Degree in Economics and Doctor's Degree in Economics respectively from the Graduate School of The People's Bank of China and the Graduate School of Chinese Academy of Social Sciences. Mr. Tang was granted the title of "Senior Economist" by The People's Construction Bank of China in 1993.

Ms. Tsang King Suen Katherine***(Independent Non-executive Director)***

Appointed Independent Non-executive Director and Chairman of the Credit & Risk Management Committee of the Bank on 1 December 2016. Ms. Tsang is a well-recognised member of the Asian financial and business community. Fortune Magazine (China) named her as No.6 China's Most Influential Businesswomen in 2012 and she was on the top 25 list from 2010 to 2013. Ms. Tsang is the founder of Max Giant, a group of asset management companies with a focus on China. She is also an Independent Non-executive Director of Gap Inc., Non-executive Director of Genesis Emerging Markets Fund Limited, Director of Ever Ascent Corporation Limited and Try Door Limited, member of the Advisory Council for China of the City of London, and an honorary board member of Shanghai Jiao Tong University. Ms. Tsang was formerly with Standard Chartered Bank for over 20 years, with her last role as Chairperson of Greater China before she retired in August 2014. She attained her Bachelor of Commerce Degree from University of Alberta, Canada.

Mr. Wang Guoliang***(Independent Non-executive Director)***

Appointed Independent Non-executive Director of the Bank on 12 August 2016 and elected Chairman of Audit Committee on 2 November 2016. Mr. Wang is a professor-level senior accountant and is currently Independent Director of China Taiping Insurance Group Limited and COSCO Shipping Lines Co., Limited. Mr. Wang worked as Chief Accountant of China National Petroleum Corporation and was Chairman of Bank of Kunlun. He has extensive experience in finance and accounting. Mr. Wang graduated from Harbin University of Commerce with a Bachelor's Degree in Economics. He received his Master's Degree in International Economics from Hebei University.

Mr. Wu Jiesi***(Independent Non-executive Director)***

Appointed Independent Non-executive Director of the Bank on 5 August 2013 and elected Chairman of the Remuneration Committee and the Nomination Committee on 20 July 2016 and 25 May 2017 respectively. Mr. Wu is Chairman of Shenzhen Fuhaiyintao Asset Management Co., Ltd. He is also an Independent Non-executive Director of Beijing Enterprises Holdings Limited, China Taiping Insurance Holdings Company Limited and The Industrial and Commercial Bank of China (Asia) Limited, and Non-executive Director of Shenzhen Investment Limited and Silver Base Group Holdings Limited. Mr. Wu has extensive experience in corporate management, investment and finance. He holds a Doctor's Degree in Economics from The Research Institution of The People's Bank of China. Mr Wu conducted post-doctorate research work in theoretical

economics at Nankai University and was conferred a professorship qualification by Nankai University in 2001.

RELATED PARTY TRANSACTIONS

The Group is wholly-owned by CIFIH and is controlled by its ultimate holding company, CITIC. See “Principal Shareholders — CITIC International Financial Holdings Limited” and “Principal Shareholders — CITIC Group” respectively.

The Group entered into a number of transactions with related parties in the normal course of its banking business including, *inter alia*, lending, acceptance and placement of inter bank deposits, participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the directors of the Bank, these transactions were conducted on normal commercial terms.

Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

Transactions with group companies

During the periods indicated in the table below, the Group entered into a number of transactions with related parties in the normal course of its banking business including, *inter alia*, lending, acceptance and placement of inter-bank deposits; and participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the directors’ opinion, these transactions were conducted under normal commercial terms.

The amount of related party transactions during the periods and outstanding balances at the end of the period/year are set out below:

	Ultimate holding and intermediate parent		Immediate parent		Fellow subsidiaries		Associates (Note 1)		Related companies (Note 2)	
	2017	2016	2017	2016	Years ended 31 December		2017	2016	2017	2016
					2017	2016				
					HK\$ '000					
Interest income	61,032	45,342	—	—	79,834	46,352	22,435	15,601	5,379	—
Interest expense	(193,162)	(99,309)	(3,907)	(4,134)	(51,557)	(49,387)	(24,345)	(12,418)	(1,428)	(7,466)
Fee and commission income/(expenses)	(3,165)	(21,842)	—	—	—	229	4,624	24,734	—	—
Other operating income	—	—	—	—	—	—	—	1,760	—	—
Operating expenses	—	—	—	573	(9,048)	(5,469)	—	—	—	—
Trading (loss)/gain on derivatives	(426,079)	180,393	—	—	(2,988)	854	12,344	(25,528)	—	—

	Ultimate holding and intermediate parent		Immediate parent		Fellow subsidiaries		Associates (Note 1)		Related companies (Note 2)	
					Years ended 31 December					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets										
Available for sale securities	—	196,391	—	—	—	—	173,064	174,535	—	—
Trading assets	54,127	—	—	—	—	—	—	—	—	54,127
Derivative financial instruments	29,223	72,187	—	—	—	—	10,185	27,538	—	29,223
Other receivables	2,896	3,178	—	—	3,667	3,875	3,231	1,596	—	2,896
Liabilities										
Derivative financial instruments	351,294	40,188	—	—	18,455	4,221	—	25,259	—	—
Other payables	13,625	12,842	900	886	11,748	10,611	4,647	332	—	2,794
Lending activities:										
At 31 December	2,432,965	320,358	—	—	1,178,127	2,707,688	1,095,420	600,000	—	—
Average for the year ...	1,733,455	2,016,340	—	—	2,278,078	2,013,141	858,770	577,446	—	—
Acceptance of deposits:										
						11,465,32				
At /31 December	10,667,653	8,559,965	243,710	415,929	9,465,073	8	5,532,947	3,148,578	39,988	677,293
Average for the year ...	12,442,225	7,653,279	372,866	413,580	6,334,452	5,704,286	4,587,592	4,480,058	10,034	871,947
Off-statement of financial position items										
Acceptances, guarantees and letters of credit — contract amounts in payable	—	—	—	—	(115,158)	(107,077)	—	—	—	—
Lease commitments	—	—	—	—	15,401	1,552	—	—	—	—
Other commitments	—	—	—	—	1,442,054	145,489	896,764	1,134,273	—	222,861
Derivative financial instruments— notional amounts	23,846,041	6,867,094	—	—	922,185	387,744	186,863	2,495,188	—	—

No impairment allowances were made in respect of the above loans to and placements with related parties.

Notes:

- (1) Associates of the Group include the associates of the ultimate controlling party and immediate parent respectively.
- (2) In 2017, related companies refer to common shareholders of the immediate parent. In 2016, related companies refer to companies with common key management personnel of the intermediate parents

PRINCIPAL SHAREHOLDERS

CITIC GROUP CORPORATION

CITIC is the ultimate controlling shareholder of the Bank. As at the date of this Offering Circular, the Bank is 75 per cent. owned by CIFH, which is 100 per cent. owned by CNCB. CNCB is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent. indirectly owned by CITIC.

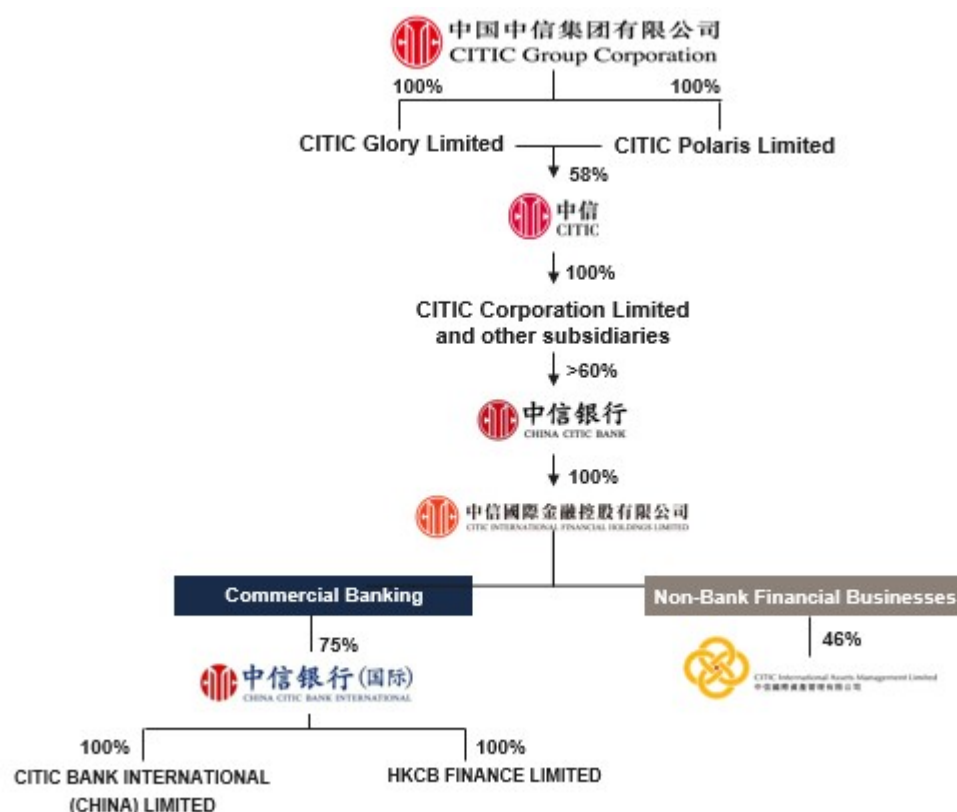
CITIC was approved by the PRC's State Council and established in 1979. Since its founding, CITIC has received the support of the PRC government. The late Mr. Rong Yiren, former Vice President of the PRC, was the first Chairman of CITIC. Since then, CITIC has grown into a large state-owned multinational conglomerate with a wide range of businesses covering finance, energy and resources, manufacturing, engineering contracting and real estate. CITIC currently has interests in two commercial banks, being an indirect majority interest in CNCB and its indirect majority interest in the Bank through its holding in CNCB. The Chairman of CITIC is Mr. Chang Zhenming (who is also the Vice Chairman of CIFH).

CITIC as the ultimate controlling shareholder of the Bank ultimately determines the strategy, management and operations of the Bank. Subject to compliance with the regulations of the HKMA, CITIC, through CNCB, is able to determine the Bank's corporate policies, appoint the Bank's Directors and officers, and vote to pursue corporate actions requiring shareholders' approval. The Chairman of the Bank is currently a director and the president of CNCB.

CITIC owns or controls a number of companies which may compete directly or indirectly with the businesses of the Bank and CIFH and its subsidiaries and associated company (the **CIFH Group**), and have more experience, superior resources and a larger scale of operations in the PRC.

Currently, the Bank also engages in, and expects from time to time in the future to engage in, financial and commercial transactions with members of the CITIC Group. See "*Related Party Transactions*".

The following chart sets out the shareholding chain of CITIC Group in CIFH and the Bank as at the date of this Offering Circular:



CITIC Limited (formerly known as CITIC Pacific Limited)

CITIC Limited is approximately 58 per cent. indirectly owned by CITIC and was incorporated in Hong Kong in January 1985. As at the date of this Offering Circular, CITIC Limited held 100 per cent. of the share capital of CITIC Corporation Limited.

CITIC Corporation Limited (formerly known as CITIC Limited)

CITIC Corporation Limited is a wholly owned subsidiary of CITIC Limited and was incorporated in China in December 2011. As at the date of this Offering Circular, CITIC Corporation Limited, together with other subsidiaries of CITIC Limited, held over 60 per cent. of the share capital of CNCB.

China CITIC Bank Corporation Limited

As at the date of this Offering Circular, CNCB, held 100 per cent. of the issued share capital of CIFH, the holding company of the Bank.

As part of the Restructuring Strategy, on 8 May 2009, CNCB entered into a Share Purchase Agreement with CITIC and Gloryshare Investments Limited (**GIL**) to acquire a 70.32 per cent. interest in CIFH for a cash consideration of approximately HK\$13.6 billion (US\$1.7 billion). This CIFH Acquisition is an integral part of CITIC's Restructuring Strategy, the intention of which was explicitly stated at the time of CIFH's privatisation in November 2008. The CIFH Acquisition was completed on 23 October 2009. One senior executives of CNCB is currently Non-Executive Directors of the Bank.

The CIFH Acquisition is expected to enable CNCB to:

- expand its branch network to international financial centres, develop its commercial banking network both domestically and internationally, and to provide “one-stop-shop” financial solutions and a wider variety of and more applicable service products and service channels for its customers with international banking needs;
- realise its strategic objective to become a “leading international bank”;
- maximise synergies by promoting the effective integration of financing resources, optimise the allocation of resources, constantly increasing the business synergies between CIFH and CNCB, and enhance its overall competitiveness in the banking market; and
- use excess capital to enhance shareholder value.

The CIFH Acquisition also created opportunities for CNCB and the Bank to expand the width and depth of their collaboration. The Bank extended cooperation to more CNCB branches, spanning across most of CNCB’s major geographical coverage in Mainland China. A series of new business cooperation initiatives were successfully introduced during the year, including RMB trade settlement programme, structured financing, pre-Initial Public Offering financing, offshore account opening, i-banking services and offshore bill operation and services.

CITIC International Financial Holdings Limited

The Bank is a wholly-owned subsidiary of CIFH which is the financial flagship of CITIC outside Mainland China. The CIFH Group is a financial services group whose core businesses include the provision of commercial banking, asset management and other related financial services. CIFH became the holding company of the CIFH Group following the group reorganisation on 25 November 2002, the appointed day designated by the board of directors of CIFH for the legal merger of the relevant undertakings of CIFH and HKCB pursuant to the CITIC Ka Wah Bank Limited (Merger) Ordinance (Cap. 1171) of the laws of Hong Kong. As part of the group reorganisation, CIFH (which prior to the reorganisation was named CITIC Ka Wah Bank Limited) transferred most of its commercial banking assets and liabilities to HKCB, a wholly-owned subsidiary of CIFH. At the same time, HKCB changed its name to CITIC Ka Wah Bank Limited and continued to operate the integrated commercial banking business of the CIFH Group. See “*Business — History*”.

CIFH is supported by CITIC in its vision to drive the offshore expansion and establishment of the CITIC brand in international banking and financial services. One of its strategic priorities is to develop effective partnership models with companies in the CITIC Group in the Mainland China to maximise strategic opportunities to promote the CITIC brand in international banking and financial services.

On 29 December 2006, CIFH completed the acquisition of a 15.17 per cent. strategic stake in CNCB to enhance its ability to capture opportunities from the increasing cross-border business flows into and out of the PRC market. Upon the listing of CNCB on the Hong Kong Stock Exchange on 27 April 2007, CIFH topped up its investment in CNCB to maintain a 15 per cent. equity interest in CNCB’s enlarged share capital.

On 9 February 2007, CIFH’s shareholders gave approval for BBVA to become a 14.58 per cent. strategic investor in CIFH, and the transaction was duly completed on 1 March 2007.

On 16 October 2008, CIFH’s independent shareholders gave approval for CITIC, through GIL, to take CIFH private by way of Scheme of Arrangement. On 5 November 2008, CIFH was delisted from the Hong Kong Stock Exchange, and on the same day, BBVA’s stake in CIFH was increased to 29.68 per cent. The strategic investment in CNCB held by CIFH was proportionately transferred to CITIC and BBVA in December 2008.

The privatisation of CIFIH was part of CITIC's Restructuring Strategy to create a single banking business platform within the CITIC Group. The intention of the privatisation was for the Bank to become CITIC's exclusive vehicle to develop commercial banking business in Hong Kong and a commercial banking platform for new business expansion for CITIC in Asia.

As at 31 December 2017, the CIFIH Group's total assets, shareholders' funds, total loans and total deposits were HK\$346.7 billion (US\$44.7 billion), HK\$31.4 billion (US\$4.1 billion), HK\$196.3 billion (US\$25.3 billion) and HK\$274.9 billion (US\$35.5 billion), respectively.

As at the date of this Offering Circular, CIFIH has 7,459,172,916 ordinary shares in issue, which are all fully paid.

Principal Activities of the CIFIH Group

The CIFIH Group currently engages in a wide range of banking and non-bank financial businesses through the following entities:

The Bank and its subsidiaries

retail banking (including home mortgage loans, consumer finance, credit cards, deposits, personal wealth management, distribution of insurance and investment products, hire purchase and leasing and small business loans), wholesale banking (including commercial mortgages, trade finance, corporate loans, syndicated loans, term loans and overdrafts, and structured finance) and treasury activities

CITIC International Assets Management Limited and its subsidiaries

asset management through venture capital and direct investments

REGULATION AND SUPERVISION

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

Supervision of Authorised Institutions in Hong Kong

The provisions of the Banking Ordinance are implemented by the 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. The HKMA supervises authorised institutions through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- (1) each authorised institution must submit a monthly return to the HKMA setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the HKMA has the right to allow returns to be made at less frequent intervals;
- (2) the HKMA may order an authorised institution, 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 authorised institution concerned. Such information shall be submitted within such period and in such manner as the HKMA may require. The HKMA may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the authorised institution's auditors (approved by the HKMA for the purpose of preparing the report) confirming compliance with certain matters;
- (3) authorised institutions may be required to provide information to the HKMA regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a common name or a concert party arrangement to promote the authorised institution's business;
- (4) in addition, authorised institutions are obliged to report to the HKMA immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorised institutions incorporated in Hong Kong;
- (5) the HKMA may direct an authorised institution to appoint an auditor to report to the HKMA on the state of affairs and/or profit and loss of the authorised institution or the adequacy of the systems of control of the authorised institution or other matters as the HKMA may reasonably require;
- (6) the HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorised institution, and in the case of an authorised institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution. Such inspections are carried out by the HKMA on a regular basis; and

- (7) authorised institutions are required to give written notice to the HKMA immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Authorised Institutions

The HKMA may, after consultation with the Financial Secretary, exercise certain powers over the conduct of authorised institutions in any of the following circumstances:

- (1) when an authorised institution informs the HKMA that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;
- (2) when an authorised institution becomes unable to meet its obligations or suspends payment;
- (3) if, after an examination or investigation, the HKMA is of the opinion that an authorised institution:
 - (a) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of multi-purpose cards issued by it or the issue of which is facilitated by it;
 - (b) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;
 - (c) has contravened or failed to comply with any of the provisions of the Banking Ordinance; or
 - (d) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and
- (4) where the Financial Secretary advises the HKMA that he considers it in the public interest to do so.

In any of the circumstances described above, the HKMA, after consultation with the Financial Secretary, may exercise any of the following powers:

- (1) to require the authorised institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its business and property as the HKMA may consider necessary;
- (2) to direct the authorised institution to seek advice on the management of its affairs, business and property from an adviser approved by the HKMA;
- (3) to assume control of and carry on the business of the authorised institution, or direct some other person to assume control of and carry on the business of the authorised institution; or
- (4) to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorised institution).

Revocation and Suspension of Banking Licence

The HKMA also has powers to recommend the revocation or suspension of a licence. Both powers are exercisable after consultation with the Financial Secretary and with a right of appeal of the authorised institution concerned except in the event of temporary suspension in urgent cases. The grounds for suspension or revocation include the following:

- (1) the authorised institution no longer fulfills the criteria for authorisation and the requirements for registration;

- (2) the authorised institution is likely to be unable to meet its obligations or proposes to make, or has made, any arrangement with its creditors or is insolvent;
- (3) the authorised institution has failed to provide material information required under the Banking Ordinance or has provided false information;
- (4) the authorised institution has breached a condition attached to its licence;
- (5) a person has become or continues to be a controller or chief executive or director of the authorised institution after the HKMA has made an objection;
- (6) the interests of the depositors require that the licence be revoked; or
- (7) the authorised institution is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the HKMA guidelines) that it should not be engaged in.

Revocation or suspension of a licence means that the authorised institution can no longer conduct banking business (for the specified period in the case of a suspension).

Principal Obligations of Authorised Institutions

The obligations of an authorised institution under the Banking Ordinance, which are enforced by the HKMA through the system described above, include, but are not limited to, the following:

Capital Adequacy

An authorised institution incorporated in Hong Kong must at all times maintain a total capital adequacy ratio of at least 8 per cent., calculated as the ratio (expressed as a percentage) of its capital base to its risk-weighted amount as more fully described below. In relation to an authorised institution with subsidiaries, the HKMA may require the ratio to be calculated on a consolidated basis, or on both a consolidated and a solo-consolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the HKMA. The HKMA may, after consultation with the authorised institution concerned, increase the ratio for any particular authorised institution. An authorised institution is under a duty to inform the HKMA immediately of a failure to maintain the required capital adequacy ratio and to provide the HKMA with such particulars as it may require. It is an indictable offence not to do so, and the HKMA is entitled to prescribe remedial action.

The capital base of an authorised institution is, broadly speaking but not limited to, all its paid-up capital and reserves, its profit and loss account including its current year's profit or loss, together with perpetual and term subordinated debt meeting prescribed conditions, general provisions against doubtful debts subject to certain limitations and a portion of its latent reserves arising from the revaluation of long-term holdings of specified equity securities or its reserves on the revaluation of real property.

The risk-weighted exposure is determined by:

- (1) multiplying risk-weight factors to the book value of various categories of assets (including but not limited to notes and coins, Hong Kong government certificates of indebtedness and cash items in the course of collection);
- (2) multiplying the credit conversion factors to various off balance sheet items (including but not limited to direct credit substitutes, transaction-related contingencies, repurchase contracts, note issuance facilities and exchange rate contracts) to determine their credit equivalent amount;
- (3) aggregating the amounts determined pursuant to (1) and (2); and

- (4) subtracting from the amount determined pursuant to (3) the value of general provisions not included in the capital base of the authorised institution.

The capital adequacy standards described above are commonly known as Basel II, and there are four approaches under Basel II to calculate credit risks, namely the basic approach, the standardised approach, foundation internal rating based approach and the advanced internal ratings based approach. Authorised institutions in Hong Kong under Basel II can choose either one out of the four approaches, with the foundation internal rating based approach and advanced internal ratings based approach requiring approval from the HKMA.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III will increase the minimum capital adequacy ratio requirements in relation to risk-weighted assets, with the common equity requirement rising from 2 per cent. to 4.5 per cent. and the Tier 1 capital requirements rising from 4 per cent. to 6 per cent.. The total minimum capital requirement remains unchanged at 8 per cent. The Basel Committee expects its member jurisdictions to begin the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2019. The HKMA has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee and to effect the first phase of Basel III implementation starting January 2013.

The Banking Ordinance (Chapter 155 of the laws of Hong Kong) was amended in 2012 to facilitate the implementation of the Basel III capital and disclosure requirements in Hong Kong. More specifically, the amendments made to the Banking Ordinance empowered the HKMA to:

- (a) prescribe capital requirements for authorised institutions incorporated in Hong Kong for authorised institutions incorporated in Hong Kong or elsewhere; and
- (b) issue and approve codes of practice for the purpose of providing guidance in respect of the requirements.

The Banking (Capital) (Amendment) Rules 2012 came into effect on 1 January 2013, with the requirements being phased in over six years to achieve full implementation by 1 January 2019. These include:

- the imposition of three minimum risk-weighted capital ratios, namely CET1 capital ratio, Tier 1 capital ratio and total capital ratio, with gradual phasing in of the minimum capital requirements over three years commencing 1 January 2013;
- the introduction of two capital buffers, namely the capital conservation buffers and countercyclical capital buffer, to be phased in sequentially from 1 January 2016 to 1 January 2019;
- the introduction of capital requirement for counterparty risk effect from 1 January 2013; and
- capital instruments issued on or after 1 January 2013 must meet all of the Basel III criteria to qualify as regulatory capital. Capital instruments prior to this date that no longer qualify for inclusion in capital base will be phased out during the 10-year period commencing 1 January 2013.

With effect from 30 June 2013, the Banking (Disclosure) Rules have been amended to implement Basel III capital and disclosure standards. The HKMA is currently conducting further consultation on implementing the Basel III liquidity standards.

The Hong Kong “Resolution Regime”

In early 2014, the Hong Kong government launched the initial stage of a public consultation on establishing a “resolution regime” for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. The Response Paper published concluded the two consultations and summarised the key comments received and the authorities’ responses and proposals in relation to those comments. The Response Paper also discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 2016) on 30 June 2016 but has not yet commenced operation as at the date of this Offering Circular. The Financial Institutions (Resolution) Ordinance will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Hong Kong Government Gazette.

The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing financial institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include but are not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Notes, which may *inter alia* be in addition to any write off pursuant to the contractual provisions relating to loss absorption of the Notes, and powers to amend or alter the contractual provisions of the Notes. Although the Financial Institutions (Resolution) Ordinance has not commenced operation as at the date of this Offering Circular, Noteholders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

Liquidity

Authorised institutions must maintain at all times a liquidity ratio of not less than 25 per cent. in each calendar month, calculated as the ratio (expressed as a percentage) of the sum of the net weighted amount of its liquefiable assets to the sum of its qualifying liabilities for each working day of the calendar month concerned as calculated in accordance with the Fourth Schedule to the Banking Ordinance. In relation to an authorised institution with subsidiaries, the HKMA may require that ratio to be calculated on a consolidated basis, or both on a consolidated basis and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the HKMA. An authorised institution has a duty to inform the HKMA if the ratio requirement is not fulfilled and provide it with such particulars of that contravention as it may require, and it is an indictable offence not to do so; the HKMA is entitled to prescribe remedial action. For the purpose of the liquidity ratio, in the case of an authorised institution which has places of business in Hong Kong and elsewhere, its places of business in Hong Kong are collectively treated as a separate authorised institution to which the liquidity ratio provisions would apply.

Liquefiable assets are, broadly speaking, assets held in the form of currency notes and coins, gold, loans due within one month from other banks (after deducting amounts payable to other banks within one month), certain export bills payable within one month, certain kinds of marketable debt securities or prescribed instruments (in some cases subject to a discount) and certain types of loan repayments due on fixed dates within one month on performing loans (subject to a discount).

Qualifying liabilities are, broadly speaking, liabilities which will or could or, in the case of contingent liabilities, in the opinion of the HKMA, may, fall due within one month, except that liabilities to other banks are treated on a net basis.

Financial Exposure to Any One Customer

The financial exposure of an authorised institution incorporated in Hong Kong to any one person or group of connected persons must not (subject to certain exceptions) exceed 25 per cent. of the capital base of the authorised institution. Subject to certain exclusions, the authorised institution's financial exposure to any one person or group of connected persons is taken to be the aggregate of:

- (1) all advances, loans and credit facilities granted to that person or group;
- (2) the value of the authorised institution's holdings of shares, debentures and other debt securities issued by that person or group; and
- (3) the principal amount, multiplied by a factor to be specified by the HKMA, for off-balance sheet items resulting from transactions between the authorised institution and that person or group.

For these purposes, persons shall be treated as connected if one company is the subsidiary of another, they have a common holding company, they have a common controller (not being a company) or if one (not being a company) is a controller of another (being a company).

The calculation of financial exposure does not include financial exposure to the Hong Kong government or authorised institutions or financial exposure generally to the extent it is secured by a cash deposit, a guarantee, an undertaking, certain specified securities or a letter of comfort accepted by the HKMA.

If a person or a company to whom an authorised institution is financially exposed is a trustee of more than one trust, the HKMA may by notice in writing extend the limit of the institution's financial exposure to that person or company.

Other Restrictions on Lending

The Banking Ordinance also provides that:

- (1) authorised institutions may not grant any loan, advance or credit facility (including letters of credit) or give any guarantee, or incur any other liability, against the security of their own shares (or, except with the approval of the HKMA, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies);
- (2) the amount of the facilities which a Hong Kong incorporated authorised institution may make available on an unsecured basis to its controllers, its directors, their relatives or certain of its employees and persons associated with any of them shall be subject to the restrictions set out therein; and
- (3) authorised institutions may not, except with the written consent of the HKMA, provide to any one of their employees any unsecured facility of an amount in excess of that employee's salary for one year.

Restrictions on Investments in Land

An authorised institution incorporated in Hong Kong cannot purchase or hold any interest in land, whether situated in or outside Hong Kong, of a value or to an aggregate value in excess of 25 per cent. of its capital base. There are exceptions for land held that in the opinion of the HKMA is necessary for the operation of the business or for providing housing or amenities for staff.

Shareholding in Other Companies

An authorised institution incorporated in Hong Kong may not acquire or hold any part of the share capital of any other company or companies to an aggregate value which exceeds 25 per cent. of the authorised institution's capital base except for shares held by way of security for facilities and by virtue of acquisitions in satisfaction of debts due to it (which must, however, be disposed of at the earliest suitable opportunity and not later than 18 months after their acquisition unless the HKMA agrees to a longer period). Shares held by virtue

of underwriting and sub-underwriting commitments are, nevertheless, permitted provided the relevant shares are disposed of within 7 working days or such longer period as the HKMA may agree.

There are other exemptions for any holding of share capital approved by the HKMA in other banks and companies carrying on nominee, executor, trustee or other functions related to banking business, the business of deposit taking, insurance, investments or other financial services.

Other Restrictions on Investment

The aggregate of the outstanding amounts of all facilities granted to or on behalf of an authorised institution's controllers, directors, their relatives, certain of its employees and their associates; the value of all holdings of share capital in other companies; and the value of all holdings of interests in land (including land purchased or held which is necessary for the conduct of business or the provision of housing or amenities for the staff of the institution) must not exceed 80 per cent. of its capital base.

Charges

An authorised institution incorporated in Hong Kong is not permitted to create any charges over its assets if either the aggregate value of all charges existing over its total assets is five per cent. or more of the value of those total assets or creating that charge would cause the aggregate value of all charges over its total assets to be more than five per cent. of the value of those total assets.

Restrictions on Overseas Activities

An authorised institution which is incorporated in Hong Kong is subject to a condition that it shall not establish or maintain any overseas branch or overseas representative office without the approval of the HKMA. The HKMA is empowered by the Banking Ordinance to require financial and other information regarding any such overseas branch to be supplied to it.

Further, an authorised institution incorporated in Hong Kong or its Hong Kong incorporated holding company may not without the consent of the HKMA own a company incorporated outside Hong Kong which may (whether or not in or outside Hong Kong) lawfully take deposits from the public. The HKMA may at any time attach in respect of any such approved overseas companies any conditions as the HKMA may think proper.

Shareholders, Chief Executives and Directors

Limitations on Shareholders

The HKMA has the power to object, on certain specified grounds, to persons becoming or being "controllers" of authorised institutions incorporated in Hong Kong. "Controller" in this context means:

- (1) a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, 10 per cent. or more, but not more than 50 per cent., of the voting power at any general meeting of the authorised institution or of another company of which it is a subsidiary; or
- (2) a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, more than 50 per cent. of the voting power at any general meeting of the authorised institution or of another company of which it is a subsidiary; or
- (3) a person in accordance with whose directions or instructions the directors of the authorised institution or of another company of which it is a subsidiary are accustomed to act (but does not include any professional advisers or managers appointed by the HKMA to manage the authorised institution).

A person may not become a controller of an authorised institution incorporated in Hong Kong unless he has served a written notice on the HKMA of his proposal to that effect and the HKMA consents to his becoming such a controller or does not object within three months.

Within the three-month period, the HKMA may object to the applicant's proposal, unless it is satisfied that the applicant is a fit and proper person to become a controller; that depositors' or potential depositors' interests will not be threatened by that person being such a controller; and having regard to the applicant's likely influence on that institution as a controller, the authorised institution is likely to continue to conduct its business prudently or that the applicant is likely to undertake adequate remedial action to ensure that the authorised institution will conduct its business prudently.

The HKMA may also object to the continuation of a person as a controller on similar grounds as in respect of new controllers.

Where a person becomes a controller (by virtue of being able to exercise or control the exercise of certain voting power in an authorised institution) after a notice of objection has been served on him or otherwise in the contravention of the procedure prescribed by the Banking Ordinance, the HKMA may notify the controller that until further notice any specified shares are subject to one or more of the following restrictions:

- (1) any transfer of the shares or, in the case of unissued shares, any transfer of the right to be issued with them, and any issue of such shares, shall be void;
- (2) voting rights in respect of those shares shall not be exercisable;
- (3) no further shares in right or pursuant to any offer made to the shareholder shall be issued; or
- (4) except in a liquidation, no payments of any sums due from the authorised institution on the shares shall be paid.

In addition, the HKMA may apply to court for an order that the shares be sold. Once the shares are sold, the proceeds (less the costs of sale) shall be paid into court and held for the benefit of the persons beneficially interested in them.

In the case of an indirect controller who does not have the approval of the HKMA, the person concerned is prohibited from giving directions or instructions to the directors of the authorised institution or of another company of which it is a subsidiary.

Limitations on Persons Becoming Chief Executives or Directors

All authorised institutions must have a chief executive ordinarily resident in Hong Kong. A person requires the consent of the HKMA before becoming a chief executive and alternate chief executive.

The consent of the HKMA is also required for a person to become a director of a Hong Kong incorporated authorised institution.

Supervision of Securities Business

The SFO, which came into operation in April 2003, introduced a substantial change to the conduct of securities business by banks. Banks are no longer exempted from the relevant regulations when they engage in securities business. Instead they are required to apply for registration with the SFC, which means they will have to meet the "Fit and Proper Criteria" set by the SFC. Likewise, staff engaged by banks in securities business will have to meet the "Fit and Proper Criteria" applicable to staff of brokerage firms. It is a statutory condition of registration for banks that each member of staff engaged by them in securities business is a fit and proper person. Banks will also have to comply with the various regulatory requirements set by the SFC in relation to their securities business, including the subsidiary legislation and the business conduct codes. Under the SFO, banks and their securities staff will be subject to the same range of disciplinary actions that are applicable to brokers and their staff in case they are guilty of misconduct or otherwise not fit and proper.

With the introduction of a new licensing regime under the SFO, corresponding changes have been made to the Banking Ordinance by way of the introduction of the Banking (Amendment) Ordinance 2002. Such ordinance came into operation simultaneously with the SFO and has enabled the HKMA to enhance their regulatory functions in relation to securities businesses of banks and other Authorised Institutions that are registered under the SFO.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or CMU (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believe to be reliable, but neither the Issuer nor 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. Neither the Issuer nor 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, or payments made on account of, such beneficial ownership interests.

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates 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 depositary 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

The CMU Service is a central depositary 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 Instruments**) 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 Instruments 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 services is open to all members of the Hong Kong Capital Markets Association, “authorised institutions” under the Banking Ordinance and other domestic and overseas financial institutions at the discretion of the HKMA. 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 Instruments. 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 Instruments 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 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 in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream, Luxembourg and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream, Luxembourg and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream, Luxembourg and the CMU Service. 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 Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream, Luxembourg or the CMU Service or their respective 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 Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

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 (Cap.112) of Hong Kong (the **Inland Revenue Ordinance**), as it is currently applied in the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, carrying on a trade, profession or business in Hong Kong; or
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to 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 Or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) are exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of Notes is registered under the Companies Ordinance, the issue of Notes by the Bank is expected to constitute a deposit to which the above exemption from payment will apply.

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 profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of Notes will be subject to profits tax.

Stamp Duty

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

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “SDO”)).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer 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 issued by the Bank. Stamp duty will, however, not be payable on any transfers of Registered Notes, provided that either:

- (i) 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
- (ii) 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 consideration or its value. In addition, stamp duty is payable at the fixed rate of HK\$5.00 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.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission’s Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. 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 the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A

financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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

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

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under “*Terms and Conditions—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated Measures for the Administration of the Pilot Program of Renminbi Settlement of Cross-Border Trades (the **Measures**) and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade 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 and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades pursuant to which (i) the list of designated pilot districts was expanded to cover all provinces and cities in the PRC, (ii) the restriction on designated offshore districts was lifted, (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, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the **Six Authorities**) a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the **Supervision List**). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports. On 20 January 2015, the SAFE issued Notice on the Pilot Scheme of Cross-border Foreign Exchange Payment Services Provided by Payment Institutions, which facilitates domestic institutions and individuals to carry out e-commerce trade through the internet, standardizes the cross-border foreign exchange payment services provided by payment institutions, and prevents the risk of cross-border capital flows through the internet channel.

On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (关于进一步便利跨国企业集团开展跨境双向人民币资金池业务的通知) (the **2015 PBOC Circular**), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (**Shanghai FTZ**) may establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pool.

As new regulations, the above circulars and notice will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and these circulars and impose conditions for settlement of current account items. Furthermore, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may

be) the use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such regulations.

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 the relevant PRC authorities. Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally 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 any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder 's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 3 December 2013, the MOFCOM promulgated the MOFCOM Circular which became effective on 1 January 2014. Pursuant to the MOFCOM Circular, the proceeds from foreign direct investment in Renminbi may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investment in PRC domestic listed companies under the PRC strategic investment regime with the approval of the MOFCOM pursuant to the Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies.

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (the **PBOC Circular**). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, inter alia, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution.

On 13 October 2011, the PBOC issued the PBOC RMB FDI Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures. Foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 5 July 2013, the PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (the **2013 PBOC Circular**), which simplifies the operating procedures on current account cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further published policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Circular intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 19 November 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (the **SAFE Circular on DI**), which became effective on 17 December 2012. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within China of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 30 March 2015, SAFE promulgated the Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises, which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;
- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;
- further standardising the administration of payment by the capital obtained by foreign exchange settlement;
- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and
- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment issued on 28 February

2015, SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 5 September 2015, PBOC promulgated the 2015 PBOC Circular. According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estates, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement. Enterprises within the Shanghai FTZ can borrow Renminbi from offshore lenders under a pilot account-based settlement scheme within the prescribed macro prudential management limit. In addition, non-financial enterprises in the Shanghai FTZ are allowed to settle the foreign debt proceeds into Renminbi on a voluntary basis, provided that the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations. 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.

On 26 January 2017, SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;
- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;
- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and
- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30% of owner's equity in the audited financial statements of the previous year.

As new regulations, the above circulars will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that the PRC government will continue to gradually liberalise controls over cross-border Renminbi remittance in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot

be repatriated outside the PRC in Renminbi, the Bank will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC. Furthermore, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules. 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

The Dealers have, in a programme agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 30 November 2007, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

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

- (a) The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or, in the case of Bearer Notes, delivered within the United States (or in connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from the registration requirements of the Securities Act.
- (b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. treasury regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation section 1.163 — 5(c)(2)(i)(D) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation section 1.163 — 5(c)(2)(i)(C) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010).
- (c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S (Category 1 of Regulation S Notes), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 1 of Regulation S Notes within the United States. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, 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.
- (d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (**Category 2 of Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time

or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 of Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S 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 any Series of Notes, an offer or sale of such Notes within the United States or to or for the account or benefit of any U.S. persons by any dealer (not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Subscription Agreement:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Acts 2000 (the **FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

European Economic Area

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent 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 final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms 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 final terms 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 final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Prohibition of Sales to EEA Retail Investors

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

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
 - (ii) ii. a customer within the meaning of Directive 2002/92/EC (as amended, the **IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) iii. not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

- (b) the expression **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

The Netherlands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

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

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**) by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **Securities and Futures Ordinance**)) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws in 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” within the meaning of the Securities and Futures Ordinance and any rules made under that Ordinance.

The People's Republic of China

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any of the Notes in the People's Republic of China (for such purposes, not including Hong Kong, Macau Special Administrative Region or Taiwan) or to residents of the People's Republic of China unless such offer or sale is made in compliance with all applicable laws and regulations of the People's Republic of China.

Taiwan

Each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired by it as part of the offering in the ROC (the **Republic of China**) or to, or for the account or benefit of, any resident of the ROC, unless otherwise permitted by the laws and regulations of the ROC.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and any of the Dealers has represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and commissions and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale 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 Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

GENERAL INFORMATION

Authorisation

The establishment of the Programme and any updates under the Programme have been duly authorised by a resolution of the Board of Directors of the Issuer dated 26 November 2007. Each issue of Notes will be separately approved by the Board of Directors of the Issuer.

Listing

Application has been made to the Singapore Exchange Securities Trading Limited for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or such Notes.

As long as a series of Notes is listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

NDRC approval

The Notes will be issued in accordance with either (i) the requirements under the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (关于推进企业发行外债备案登记制管理改革的通知 (发改外资〔2015〕2044号)) (the **NDRC Circular**) issued by the National Development and Reform Commission of the People's Republic of China (the **NDRC**) or (ii) the requirements under the NDRC Circular and the annual applicable foreign debt quota granted by the NDRC to CITIC Group Corporation and its subsidiaries.

In the case of (i), the Bank will make a pre-issuance registration with the NDRC, followed by a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes. In the case of (ii), the Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration of the Notes with the NDRC, however, the Bank will be required to make a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes.

Clearing systems

The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU

instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank since 31 December 2017 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2017.

Litigation

Save as disclosed in this Offering Circular, the Issuer is not involved in any legal proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

Auditor

The auditor of the Issuer is, for the year ended 31 December 2016 and for the year ended 31 December 2017, PricewaterhouseCoopers (Certified Public Accountants).

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

Documents

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom:

- (a) the constitutional documents of the Issuer;
- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 2017;
- (c) the most recent annual audited consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial statements of the Issuer (if any);
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Offering Circular; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for

inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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