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CHINA CITIC BANK INTERNATIONAL LIMITED 中信銀行（國際）有限公司

(Incorporated with limited liability in Hong Kong)

U.S.$500,000,000

4.625 per cent. Tier 2 Subordinated Notes due 2029

issued under the

U.S.$3,000,000,000 Medium Term Note Programme

This Supplement (this **Supplement**) to the Offering Circular dated 29 June 2018 (the **Offering Circular**) is prepared in connection with the U.S.$3,000,000,000 Medium Term Note Programme (the **Programme**) established by China CITIC Bank International Limited 中信銀行（國際）有限公司 (the **Issuer** or the **Bank**). The U.S.$500,000,000 4.625 per cent. Tier 2 Subordinated Notes due 2029 (the **Notes**) will be issued by the Issuer under the Programme. Terms defined in the Offering Circular have the same meaning when used in this Supplement. This Supplement is supplemental to, forms part of and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer.

Application will be made to The Stock Exchange of Hong Kong Limited (the **SEHK**) for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the SEHK and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only (together, **Professional Investors**). This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

SEHK has not reviewed the contents of this document and the Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

It is expected that dealing in, and listing of, the Notes on the SEHK will commence on or about 1 March 2019.

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

The Notes will be issued in registered form and will be represented by a global note in registered form without interest coupons registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV and Clearstream Banking S.A..

The Notes are expected to be assigned a rating of “Baa3” by Moody’s Investors Service Hong Kong Limited (**Moody’s**). The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Moody’s.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person. The Notes are being offered only outside the United States in reliance on Regulation S under the Securities Act.

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

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 Directive 2014/65/EU (as amended, **MiFID II**); or (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. 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.

As described in this Supplement, the terms of the Notes provide that subject to the Conditions, the Notes confer a right to receive interest on the principal amount (subject to adjustments following the occurrence of a Non-Viability Event (as defined herein) in accordance with the Conditions) (i) from, and including, the Issue Date to but excluding the Call Date (as defined herein) at 4.625 per cent. per annum and (ii) from, and including, the Call Date to, but excluding, the Maturity Date (as defined herein), a fixed rate per annum equal to the aggregate of (a) the then prevailing U.S. treasury rate and (b) the Spread, payable semi-annually in arrear on 28 February and 28 August in each year.

The Notes will mature on 28 February 2029 (the **Maturity Date**), if not redeemed or purchased and cancelled earlier. The Issuer can redeem the Notes in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Notes at any time. The ability of the Issuer to redeem Notes is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (as defined herein) (if then required) to the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (as defined herein), irrevocably (without the need for the consent of the Noteholders of the Notes) reduce the then principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined herein) per Note. Once the principal amount of, and any accrued but unpaid interest under, the Notes has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, be deemed to have waived all such rights to such amount that has been Written-off. Noteholders could risk losing up to the full principal amount of the Notes, as well as the cancellation of any accrued (and unpaid) interest, without receiving any compensation for such loss or cancellation.

THE NOTES ARE COMPLEX AND HIGH RISK. THERE ARE RISKS INHERENT IN THE HOLDING OF THE NOTES, INCLUDING THE RISKS IN RELATION TO THEIR SUBORDINATION, THE CIRCUMSTANCES IN WHICH NOTEHOLDERS MAY SUFFER LOSS AS A RESULT OF HOLDING THE NOTES AND THE QUANTUM OF ANY LOSS INCURRED BY INVESTORS IN THE NOTES IN SUCH CIRCUMSTANCES IS ALSO HIGHLY UNCERTAIN. SEE “INVESTMENT CONSIDERATIONS” BEGINNING ON PAGE 15. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE NOTES WHICH FEATURE LOSS ABSORPTION.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CNCBI	**Citigroup**	**HSBC**	**ICBC International**

Joint Bookrunners and Joint Lead Managers

Bank of China	**China Construction Bank (Asia)**	**China Merchants Securities (HK)**	**China Minsheng Banking Corp., Ltd., Hong Kong Branch**	**CMB Wing Lung Bank Limited**	**Mizuho Securities**	**Standard Chartered Bank**

The date of this Supplement is 19 February 2019.

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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 six months ended 30 June 2018 set forth below is derived from the Bank's unaudited condensed consolidated financial information, which has been reviewed by PricewaterhouseCoopers, Certified Public Accountant in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and should be read in conjunction with the unaudited condensed consolidated financial information of the Bank and the notes thereto incorporated by reference in the Offering Circular. Certain items in the unaudited condensed consolidated financial information of the Bank as at and for the six months ended 30 June 2018 have been aggregated for the purpose of presentation of the summary financial information in the tables below.

The Bank's unaudited consolidated financial statements as at and for the six months ended 30 June 2018 (the **Interim Financial Statements**) was 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 and the unaudited condensed consolidated financial information of the Bank as at and for the six months ended 30 June 2018. In addition, the Bank has, in the Interim Financial Statements, adopted HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". The Bank has performed an assessment and concluded that the adoption of HKFRS 15 does not have significant impact on the Group's accounting policies and does not require retrospective adjustments. Also, as permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative information retrospectively. For a summary of the impact resulting from the application of HKFRS 9, please see note 2.3 of the Interim Financial Statements.

SUMMARY INCOME STATEMENT DATA

	Six months ended 30 June		
	2017	**2018**	**2018**
	HK$	*HK$*	*US$*
	(unaudited)	*(unaudited)*	*(unaudited)*
		(in millions)	
Interest income	4,109.8	5,441.2	702.1
Interest expense	(1,664.7)	(2,138.1)	(275.9)
Net interest income	2,445.0	3,303.1	426.2
Non-interest income	1,527.1	1,059.2	136.7
Operating expenses	(1,487.0)	(1,617.4)	(208.7)
Operating profit before impairment	2,485.1	2,744.9	354.2
Impairment losses	(867.5)	(773.0)	(99.7)
	1,617.6	1,971.8	254.4
Non-operating income / (losses)	3.1	(0.7)	(0.1)
Profit before taxation	1,620.7	1,971.1	254.3

	Six months ended 30 June		
	2017	2018	2018
	HK$	*HK$*	*US$*
	(unaudited)	*(unaudited)*	*(unaudited)*
		(in millions)	
Income tax	(232.4)	(348.6)	(45.0)
Profit for the period	HK$1,388.4	HK$1,622.5	US$209.4
Earnings per share (HK$ / US$)	0.15	0.13	0.02

SUMMARY FINANCIAL AND OTHER INFORMATION

SUMMARY STATEMENT OF FINANCIAL POSITION DATA

	As at 31 December	As at 30 June	
	2017	***2018***	***2018***
	HK$	*HK$*	*US$*
	(audited)	*(unaudited)*	*(unaudited)*
		(in millions)	
Assets			
Cash and balances with banks, central banks and other financial institutions	31,657.9	19,412.6	2,504.9
Placements with and advances to banks, central banks and other financial institutions	47,402.4	47,107.0	6,078.3
Financial assets at fair value through profit or loss	1,029.0	922.2	119.0
Derivative financial instruments	4,770.5	9,305.8	1,200.8
Loans and advances to customers and other accounts	198,986.9	203,497.5	26,257.7
Financial assets at fair value through other comprehensive income	-	67,582.2	8,720.3
Available-for-sale securities	59,346.7	-	-
Property and equipment			
— Investment properties	132.8	132.6	17.1
— Other premises	373.1	364.7	47.1
— Equipment	514.5	500.7	64.6
Tax recoverable	29.1	1.7	0.2
Deferred tax assets	65.8	442.9	57.1
Total Assets	344,308.7	349,270.0	45,067.1
Equity and Liabilities			

	As at 31 December	As at 30 June	
	2017	*2018*	*2018*
	HK$	*HK$*	*US$*
	(audited)	*(unaudited)*	*(unaudited)*
		(in millions)	
Deposits and balances of banks and other financial institutions	5,187.3	5,383.4	694.6
Deposits from customers	271,471.9	270,855.3	34,949.1
Derivative financial instruments	4,824.5	9,021.8	1,164.1
Certificates of deposit issued	3,421.8	3,138.3	404.9
Debt securities issued	3,584.1	3,542.2	457.1
Current tax liabilities	497.5	379.6	49.0
Deferred tax liabilities	1.6	8.3	1.1
Other liabilities	5,422.6	9,996.6	1,289.9
Loan capital	6,340.2	6,287.1	811.2
Total Liabilities	300,751.5	308,612.7	39,821.0
Equity			
Share capital	18,404.0	18,404.0	2,374.7
Reserves	18,979.9	16,080.1	2,074.8
Total equity attributable to equity shareholders of the Bank	37,383.9	34,484.1	4,449.6
Additional equity instruments	6,173.3	6,173.3	796.5
Total Equity	43,557.2	40,657.3	5,246.1
Total Equity and Liabilities	344,308.7	349,270.0	45,067.1

	At 31 December 2017	At 30 June 2018
OTHER INFORMATION		
Common Equity Tier 1 (**CET1**) capital[(1)]	14.5%	12.7%
Tier 1 capital ratio[(1)]	17.1%	15.1%
Total capital ratio[(1)]	20.3%	17.8%
Loans to deposits	71.4%	73.0%
Loans to total assets	57.0%	57.2%
Collective assessment coverage[(4)]	0.2%	N/A
Stage 1 and Stage 2 expected credit losses allowances coverage[(5)]	N/A	1.0%

	At 31 December 2017	At 30 June 2018
For the six months ended	**30 June 2017**	**30 June 2018**
Average liquidity maintenance ratio(2)	57.9%	N/A
Average liquidity coverage ratio(3)	N/A	220.7%
Cost to income	37.4%	37.1%
Return on average assets	0.9%	0.9%
Return on average total equity attributable to equity shareholders of the Bank	10.4%	9.0%

Notes:

(1) As at 30 June 2018 and 31 December 2017, 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 **Monetary Authority**) for its regulatory purposes and was in accordance with the Banking (Capital) Rules issued by the Monetary Authority.

(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 was also computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the Monetary Authority.

(3) The Group was designated by the Monetary Authority 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**).

(4) The ratios represented collectively assessed impairment allowance divided by gross loans and advances.

(5) The ratios represented stage 1 and stage 2 expected credit losses allowances divided by gross loans and advances.

TIER I AND TIER II CAPITAL BASE — As at 30 June 2018

Capital adequacy ratios (**CARs**) are complied with in accordance with the Banking (Capital) Rules issued by the Monetary Authority. The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the Monetary Authority. 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.

	As at 31 December 2017	**As at 30 June 2018**	
	HK$	*HK$*	*US$*
	(unaudited)	*(unaudited)*	*(unaudited)*
		(in millions)	
CET1 capital: instruments and reserves			
Directly issued qualifying CET1 capital instruments plus any related share premium	18,404.0	18,211.3	2,349.8
Retained earnings	18,728.9	16,177.3	2,087.4
Disclosed reserves	251.0	(97.3)	(12.6)
CET1 capital before regulatory deductions	37,383.9	34,291.2	4,424.7
CET1 capital: regulatory deductions			
Deferred tax assets net of deferred tax liabilities	65.8	442.9	57.1
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	84.3	84.2	10.9
Regulatory reserve for general banking risks	2,814.5	1,124.7	145.1
Valuation adjustments	7.1	5.4	0.87
Debt valuation adjustments in respect of derivative contracts	1.3	2.1	0.3
Total regulatory deductions to CET1 capital	2,973.1	1,659.3	214.1
CET1 capital	34,410.8	32,631.9	4,210.6
Additional Tier 1 (AT1) capital[(1)]	6,177.0	6,177.0	797.0
Tier 1 capital	40,587.8	38,808.9	5,007.6
Tier 2 capital: instruments and provisions			
Qualifying Tier 2 capital instruments plus any related share premium	4,687.7	3,921.7	506.0
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	37.9	37.9	4.9
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,732.8	2,927.7	377.8
Tier 2 capital base before deductions	7,458.4	6,887.3	888.7

	As at 31 December 2017	As at 30 June 2018	
	HK$	*HK$*	*US$*
	(unaudited)	*(unaudited)*	*(unaudited)*
		(in millions)	
Tier 2 capital: regulatory deductions			
Regulatory deductions to Tier 2 capital	—	—	—
Tier 2 capital	7,458.4	6,887.3	888.7
Total capital	48,046.2	45,696.2	5,896.3

Notes:

(1) On 6 November 2018, the Issuer issued U.S.$500,000,000 undated non-cumulative subordinated additional tier 1 capital securities.

SUMMARY OF THE OFFERING

The following summary does not purport to be complete and should be read in conjunction with the Conditions. Words and expressions defined in the Conditions shall have the same meanings in this summary.

Issuer	China CITIC Bank International Limited 中信銀行（國際）有限公司
Description	U.S.$500,000,000 4.625 per cent. Tier 2 Subordinated Notes due 2029
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers[1]	China CITIC Bank International Limited 中信銀行（國際）有限公司 Citigroup Global Markets Limited The Hongkong and Shanghai Banking Corporation Limited ICBC International Securities Limited 工銀國際證券有限公司
Joint Bookrunners and Joint Lead Managers[1]	Bank of China Limited China Construction Bank (Asia) Corporation Limited China Merchants Securities (HK) Co., Limited China Minsheng Banking Corp., Ltd., Hong Kong Branch CMB Wing Lung Bank Limited Mizuho Securities Asia Limited Standard Chartered Bank
Issue Date	28 February 2019
Status and Qualification of the Notes	The Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated in the manner described below. Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights of the Noteholders to payment of principal and interest on the Notes and any other obligations in respect of the Notes shall rank (x) subordinate and junior in right of payment to, and of all claims of, (i) all unsubordinated creditors of the Issuer (including its depositors), and (ii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (y) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (z) senior in right of payment to, and of all

1 The Issuer has entered into a subscription agreement with the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers dated 19 February 2019 (the **Subscription Agreement**) pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, and the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers severally and not jointly agreed to subscribe (other than China CITIC Bank International Limited） or procure subscribers for, the aggregate principal amount of the Notes.

claims of, (i) the holders of Junior Obligations and (ii) holders of Tier 1 Capital Instruments of the Issuer, in each case in the manner provided in the Trust Deed.

The Notes are intended to qualify as Tier 2 capital under the Banking (Capital) Rules (Cap.155L) (as amended).

Authorized Institution has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong.

Capital Regulations means capital regulations from time to time applicable to the regulatory capital of Authorized Institutions in Hong Kong as published by the Monetary Authority.

Monetary Authority means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66. of the Laws of Hong Kong).

Junior Obligation means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference share) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Notes by operation of law or contract.

Parity Obligation means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as Tier 2 Capital Instrument (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into, or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Notes by operation of law or contract, which excludes any Junior Obligations of the Issuer.

Permitted Reorganisation means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Notes.

Shares means the ordinary share capital of the Issuer.

Subordinated Creditors means all creditors the indebtedness of 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 other than those whose claims rank or is expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Noteholders. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

Tier 1 Capital Instruments means any instrument issued by the Issuer that constitutes Tier 1 capital of (x) the Issuer, on an unconsolidated basis, or (y) the Group, on a consolidated basis, pursuant to the Capital Regulations. For the avoidance of doubt, Tier 1 Capital Instruments does not include Shares.

Tier 2 Capital Instruments means any instrument issued by the Issuer that constitutes Tier 2 capital of (x) the Issuer, on an

	unconsolidated basis, or (y) the Group, on a consolidated basis, pursuant to the Capital Regulations. **Winding-Up** means a final and effective order or resolution for the winding up, liquidation or similar proceeding in respect of the Issuer.
No Set-off	Subject to applicable law, no Noteholder 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 Notes and each Noteholder shall, by virtue of being the Noteholder of any Note, be deemed to have waived all such rights of such set-off, counter-claim or retention.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$250,000 each and integral multiples of U.S.$1,000 in excess thereof.
Interest Rate	The Distribution Rate applicable to the Notes shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding, 28 February 2024 (the **Call Date**), 4.625 per cent. per annum; and (ii) in respect of the period from, and including, the Call Date to, but excluding, the Maturity Date, a fixed rate per annum equal to the aggregate of (a) the then-prevailing U.S. treasury rate and (b) the Spread.
Non-Viability Loss Absorption	If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Noteholders) reduce the then prevailing principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Note (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Notes so reduced and cancelled upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the **Write-off**, and **Written-off** shall be construed accordingly). **Loss Absorption Effective Date** means the date that will be specified as such in the applicable Non-Viability Event Notice as directed or approved by the Monetary Authority. **Non-Viability Event** means the earlier of: (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with

the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

Non-Viability Event Notice means the notice which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the Noteholders, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state:

(a) with reasonable detail the nature of the relevant Non Viability Event; and

(b) the Non-Viability Event Write-off Amount for: (i) each Note; and (ii) each other Subordinated Capital Security on the Loss Absorption Effective Date in accordance with its terms; and (iii) specifying the Loss Absorption Effective Date.

Non-Viability Event Write-off Amount means the amount of interest and/or principal to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (i) the Write-off will be effected in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (ii) in the case of an event falling with paragraph (b) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Note will be calculated based on a percentage of the principal amount of that Note.

Subordinated Capital Security means any Junior Obligations or Parity Obligations which contains provisions relating to a write-down or conversion into ordinary shares in respect of its principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

Consequence of Non-Viability Loss Absorption

Once the principal amount of, and any accrued but unpaid interest under, the Notes has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, be deemed to have waived all such rights to such amount that has been Written-off.

Hong Kong Resolution Authority Power

Notwithstanding any other term of the Notes, including without limitation Condition 6.7 or any other agreement or arrangement, each Noteholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Notes being written off, cancelled, converted or modified, or to having the form of the Notes changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

(a) the reduction or cancellation of all or a part of the principal amount of, or interest on, the Notes;

(b) the conversion of all or a part of the principal amount of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes; and

(c) the amendment or alteration of the maturity of the Notes or amendment or alteration of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions.

With respect to (a), (b) and (c) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Noteholders and the Trustee under the Notes and the Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Notes or payment of interest on the Notes shall become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong

Resolution Authority Power to the Noteholders in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or interest on the Notes, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of the Conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes shall constitute an Event of Default under Condition 11.2.

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

Hong Kong Resolution Authority Power means any power which may exist from time to time under the Ordinance relating to financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group (including, for the avoidance of doubt, powers under Part 4 and Part 5 of the Ordinance) or any other laws, regulations, rules or requirements relating thereto, as the same may be amended from time to time (whether pursuant to the Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified and/or converted into shares or other securities or obligations of the obligor or any other person.

relevant Hong Kong Resolution Authority means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer.

Maturity Date	28 February 2029.
Redemption at the Option of the Issuer	Subject to Condition 8.12, the Issuer may redeem all, but not some only, of the Notes then outstanding on the Call Date, at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.
Redemption for Taxation Reasons	Subject to Condition 8.12, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice if the Issuer satisfies the Trustee immediately before the giving of such notice that a change in the tax legislation of Hong Kong would result in

adverse tax consequence for the Issuer.

Notes so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.7.

Redemption for Tax Deduction

Subject to Condition 8.12, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice if the Issuer satisfies the Trustee immediately before the giving of such notice that in respect of the interest payable on the Notes, a Tax Deduction Event has occurred.

Notes so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.7.

Redemption for Regulatory Reasons

Subject to Condition 8.12, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice following the occurrence of a Regulatory Redemption Event.

Notes so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.7.

Conditions for Redemption and Purchase in respect of the Notes

The Issuer shall not redeem any of the Notes (other than pursuant to Condition 8.1 and Condition 11.2) and the Issuer or any of its Subsidiaries shall not purchase any of the Notes unless the prior written consent of the Monetary Authority thereto shall have been obtained, if required.

Taxation

All payments of principal and interest in respect of the Notes 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 or governmental charges of whatsoever nature imposed or levied 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.

Governing Law

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

Rating	The Notes are expected to be assigned a rating of “Baa3” by Moody’s. The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Moody’s.
Clearing Systems	Euroclear Bank SA/NV and Clearstream Banking S.A..
Use of proceeds	The net proceeds will be applied by the Issuer for its funding and general corporate purposes.
Listing	Application will be made for the listing of the Notes on the SEHK by way of debt issues to Professional Investors only.
Capital Treatment of the Notes	It is intended that the Notes will qualify in full as Tier 2 capital under the Banking (Capital) Rules (Cap. 155L) (as amended) of the Issuer.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully take into account the following considerations, in addition to the other information contained in this Supplement and the Offering Circular, before investing in the Notes. Attention is drawn particularly to the information under the section "Investment Considerations" in pages 70 to 89 (inclusive) of the Offering Circular, which must be read in conjunction with the additional considerations set out below. The occurrence of one or more events described below and in the section "Investment Considerations" of the Offering Circular could have an adverse effect on the Group's business, financial condition or results of operations, and could affect the Bank's ability to make payments of principal, premium and/or interest (if any) under the Notes.

THE NOTES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY. INVESTORS SHOULD NOT PURCHASE THE NOTES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE NOTES INVOLVES RISKS. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE NOTES WHICH FEATURE LOSS ABSORPTION.

Considerations relating to the Group

The considerations below shall replace the considerations with the same headings as set out in pages 70-89 of the Offering Circular.

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 30 June 2018, new-home mortgage loans pricing was 3.00 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 year ended 31 December 2017 and the six month ended 30 June 2018, the Bank's net interest margin was 1.68 per cent. and 1.92 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 30 June 2018, 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 7.3 per cent. of the Group's total loans to customers while loans for property investment accounted for 7.3 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. In an effort to contain the risk of a property price bubble, the HKSAR Government has introduced various measures to cool the Hong Kong property market since 2012. These measures, together with slowing economic growth and expectations of USD/HKD interest rate hikes, brought down property prices by 13 per cent. during the six-month period ended 31 March 2016. However, property prices have since resumed an uptrend and continued to reach new highs, supported by sustained economic growth, abundant market liquidity, and persistent housing supply shortage, while the effects of the HKSAR Government's cooling measures have gradually diminished. The Centa-City Leading Index gained 14.19 per cent. during January to August 2018, nearly 48 per cent. higher than the previous low in March 2016. However, the situation changed in September 2018 when Hong Kong Prime Rates started rising after the US Federal Open Market Committee's September 2018 rate hike, putting downward pressures on the property prices. Since September 2018, prices have fallen by around 5 per cent.. The degree of adjustment of property prices in Hong Kong is also hinged on a number of other factors, including the growth of local, China and global economies amidst the China-US trade war, the progress of boosting local property supply behind the HKSAR Government's plan for land increases, as well as the Renminbi and property market developments in Mainland China. Should there be a significant drop in property values, the Group's business and financial condition and/or results of operations would be adversely affected.

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 34.1 per cent. of the Group's total loans to customers as at 30 June 2018. For the six months ended 30 June 2018, 20.75 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 30 June 2018, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for approximately HK$73,247.5 million (US$9,451.3 million). As at 30 June 2018, the Group's five largest borrowers (including groups of individuals and companies) accounted for approximately HK$30,381.7 million (US$3,920.2 million) with the largest borrower accounting for HK$7,893.5 million (US$1,018.5 million) or 17.3 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 30 June 2018, 80.0 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 30 June 2018, the total amount of the Bank's impaired loans was HK$1,250.5 million (US$161.4 million). The Bank's impairment allowances on loans and advances amounted to HK$2,411.3 million (US$311.1 million) as at 30 June 2018, covering 192.8 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, the Bank's impairment allowances are estimated based on expected credit losses of its loan portfolio. 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 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 30 June 2018, the Bank is a party to a limited number of outstanding claims and complaints. 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 Supplement, the Bank does not expect such litigation and claims, whether currently outstanding or potential, 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.

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 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 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 30 June 2018, the Group had US dollar denominated assets of approximately HK$148,659.0 million (US$19,181.8 million) and US dollar denominated liabilities of approximately HK$142,824.2million (US$18,428.9 million), representing approximately 42.6 per cent. and approximately 46.3 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 the Notes

The Notes may not be a suitable investment for all investors.

The Notes are complex and high risk. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the Offering Circular or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The treatment of the Notes, including in respect of tax, remains unclear. A potential investor should not invest in the Notes 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, including the effects of inflation, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Issuer's obligations under the Notes are subordinated.

The Issuer's obligations under the Notes constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* with Parity Obligations. Subject, *inter alia*, as discussed under "*– The terms of the Notes contain non-viability loss absorption and bail-in provisions*", to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation, the rights of the Noteholders to payment of principal and interest on the Notes and any other obligations in respect of the Notes are expressly subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 3.2 and will rank senior to all Junior Obligations. In the event of a shortfall of funds on a Winding-Up, there is a risk that an investor in the Notes will lose all or part of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Notes. The Notes also do not limit the Issuer's ability or the ability of any entity in the Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Notes.

The terms of the Notes contain non-viability loss absorption and bail-in provisions.

Under the Conditions, a Non-Viability Event occurs when the Monetary Authority notifies the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

The Conditions also provide that each Noteholder (as defined in the Conditions) and the Trustee shall be subject, and deemed to agree that the relevant Hong Kong Resolution Authority (as defined in the Conditions) can exercise the Hong Kong Resolution Authority Power (as defined in the Conditions) in relation to the Notes. The Hong Kong Resolution Authority Power allows the relevant Hong Kong Resolution Authority to take certain actions in relation to the Notes, including to:

(a) cancel all or a part of the principal amount of, or interest on, the Notes;

(b) modify or change the form of the Notes;

(c) suspend the operation of the Conditions in relation to the Notes or deem payments of principal or interest to have been made in relation to the Notes when no payments of principal or interest have been made; and

(d) order anything else the relevant Hong Kong Resolution Authority considers appropriate in consequence of exercising the Hong Kong Resolution Authority Power.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of the Non-Viability Event), irrevocably reduce the then principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part). If the Hong Kong Resolution Authority Power is exercised by the relevant Hong Kong Resolution Authority, the provisions detailed in the instrument by which the relevant Hong Kong Resolution Authority exercises the Hong Kong Resolution Authority Power (the **Hong Kong Resolution Authority Power Instrument**) shall apply to the Notes. Although the Issuer has agreed to notify the clearing systems and the Noteholders following the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, there will be a delay between a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power and the time that the clearing systems and the Noteholders via the clearing systems are notified of the occurrence of the relevant event through their clearing systems accounts or otherwise. Such delay may exceed several days during which trading and settlement in the Notes may continue. Any such delay will not change or delay the effect of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power on the obligations of the Issuer under the Notes or on the rights of the Noteholders. See "*Terms and Conditions of the Notes – Interest – Non-Viability Loss Absorption*" and "*– Hong Kong Resolution Authority Power*". The notification of a Non-Viability Event is at the discretion of the Monetary Authority and the exercise of the Hong Kong Resolution Authority Power is at the discretion of the relevant Hong Kong Resolution Authority and both beyond the control of the Issuer. The circumstances in which such discretion is exercised are not limited and may include concerns about the Issuer's capital, funding and/or liquidity levels.

Noteholders should note that any amount that is written down upon the occurrence of a Non-Viability Event in accordance with the Conditions or is subject to the demise of the Hong Kong Resolution Authority Power is permanent and will not be restored under any circumstances, even if the relevant Non-Viability Event or exercise of the Hong Kong Resolution Authority Power has ceased. In addition, a Non-Viability Event or exercise of the Hong Kong Resolution Authority Power may occur on more than one occasion and each Note may be written down on more than one occasion. As the interest is calculated on the basis of the principal amount as adjusted following the occurrence of a Non-Viability Event or as provided for in the relevant Hong Kong Resolution Authority Power Instrument, in the event that such principal amount is permanently reduced by the relevant Write-off or exercise of the Hong Kong Resolution Authority Power, Noteholders will receive less interest on their Notes. In addition, upon the occurrence of a Non-Viability Event or exercise of the Hong

Kong Resolution Authority Power, Noteholders could risk losing up to the full principal amount of the Notes, as well as the cancellation of any accrued (and unpaid) interest, without receiving any compensation for such loss or cancellation. See *"Regulation and Supervision – The Hong Kong Resolution Regime"*.

The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control.

The occurrence of a Non-Viability Event is dependent on a determination by the Monetary Authority:

(a) that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or

(b) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

The exercise of the Hong Kong Resolution Authority Power is dependent on the terms of the Hong Kong Resolution Authority Power Instrument. As a result, the Monetary Authority may require or may cause a Write-off or the relevant Hong Kong Resolution Authority may exercise the Hong Kong Resolution Authority Power in circumstances that are beyond the control of the Bank and the Group and with which neither the Bank nor the Group agree. Due to the inherent uncertainty regarding the determination of whether a Non-Viability Event exists or whether the Hong Kong Resolution Authority Power will be exercised, it will be difficult to predict when, if at all, a Write-off or the exercise of the Hong Kong Resolution Authority Power in relation to the Notes will occur. Accordingly, the trading behaviour in respect of the Notes 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 or the exercise of the Hong Kong Resolution Authority Power could have a material adverse effect on the market price of the Notes.

Potential investors should consider the risk that a holder of Notes may lose all of their investment in the Notes, including the principal amount plus any accrued but unpaid interest, in the event that a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised.

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 Monetary Authority may implement in the future. There is a risk that the Monetary Authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

The Notes may be subject to a full or partial Write-off.

Investors may lose all of their investment in any Notes upon the occurrence of a Non-Viability Event, which will lead to a full or partial Write-off. Investors may lose all of their investment in the Notes as a result of the cancellation or modification of the Notes pursuant to the exercise of the Hong Kong Resolution Authority Power. Upon the occurrence of a Write-off or so specified in the Hong Kong Resolution Authority Power Instrument, the principal amount and any accrued but unpaid interest of such Notes will automatically be written down and if there is a full Write-off the principal amount and any accrued but unpaid interest may be written down completely and such Notes will be automatically cancelled.

In addition, the subordination and set off provisions set out in Condition 3 are effective only upon the occurrence of any winding-up proceedings of the Bank. In the event that a Non-Viability Event occurs the rights of holders of Notes shall be subject to Condition 6.7. In the event that the Hong Kong Resolution Authority Power is exercised, the rights of the holders of the Notes shall be subject to the provisions in the Hong Kong Resolution Authority Power Instrument. The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may not result in the same outcome for Noteholders as would otherwise occur under Condition 3 upon the occurrence of any winding-up proceedings of the Bank.

Furthermore, upon the occurrence of a Write-off of any Notes or if specified in the Hong Kong Resolution Authority Power Instrument, interest will cease to accrue and all interest amounts that were not due and payable prior to the Write-off or as specified in the Hong Kong Resolution Authority Power Instrument shall become null and void. Consequently, Noteholders will not be entitled to receive any interest that has accrued on such Notes from (and including) the last Interest Payment Date falling on or prior to the Non-Viability Event Notice or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. Upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, no Noteholder may exercise, claim or plead any right to any such amounts written off, and each Noteholder shall be deemed to have waived all such rights to such amounts.

Any such Write-off or exercise of the Hong Kong Resolution Authority Power will be irrevocable and the Noteholders will, upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, not receive any shares or other participation rights of the Bank or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Bank or any other member of the Group, or be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of the Bank or the Group.

Transfers scheduled to settle through Euroclear and Clearstream (the ICSDs) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Notes in connection with a Non-Viability Event Notice or the exercise of the Hong Kong Resolution Authority Power. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised and when the ICSDs receive and process the Non-Viability Event Notice or the notice that the Hong Kong Resolution Authority Power has been exercised, it is possible that transfers may either (i) fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument or (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument.

The ICSDs are expected to suspend all clearance and settlement of transfers of the Notes by Noteholders after receipt of a Non-Viability Event Notice or as specified in the Hong Kong Resolution Authority Power Instrument, and any transfer of the Notes that is scheduled to settle after commencement of such suspension is expected to be rejected by the ICSD and will not be settled within the ICSDs.

Although a Non-Viability Event Notice or notice of the exercise of the Hong Kong Resolution Authority Power will be sent by the Issuer to the ICSDs and the Noteholders via the ICSDs after the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, the records of the ICSDs will not be immediately updated to reflect the Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, and a period of time, which may exceed several days, will be required before the clearance and settlement of transfers of the Notes through the ICSDs are suspended. Due to such delay, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date after the ICSDs commence such suspension will fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferors of the Notes would not receive any consideration through the ICSDs in respect of such intended transfer because the ICSDs will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date before the ICSDs commence such suspension will be settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferees of the Notes may be required to pay consideration through the ICSDs even though, upon the occurrence of a Non-Viability Event or if specified in the Hong Kong Resolution Authority Power Instrument, no amounts under the Notes will thereafter become due, and such transferees will have no rights whatsoever under the Trust Deed or the Notes to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against the Bank, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Notes following a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power will be subject to procedures of the ICSDs that are in place at such time.

The application of a non-viability loss absorption feature similar to Condition 6.7, the exercise of the Hong Kong Resolution Authority Power as set out in Condition 6.8 has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

There are limited remedies for non-payment under the Notes.

Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment of principal or any interest on any of the Notes has become due and such failure continues for a period of seven days in the case of interest; or where an order is made or an effective resolution passed for the Winding-Up or dissolution of the Issuer. The only remedy against the Issuer available to any Noteholders for recovery of amounts in respect of the Notes following the occurrence of a payment default after any sum becomes due in respect of the Notes will be instituting winding-up proceedings and/or proving and/or claiming in winding-up in respect of any of the Issuer's payment obligations arising from the Notes. In such a winding-up, the claims of the Noteholder will be subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 3.2.

The Trustee may request that Noteholders provide indemnity to its satisfaction.

In certain circumstances (including, without limitation, as referred to in Condition 11.2 and Condition 11.3), the Trustee may request the Noteholders to provide indemnity and/or security and/or funds to its satisfaction before it takes action on behalf of the Noteholders. The Trustee shall not be obliged to take any such action if not indemnified and/or provided with security and/or put in funds to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or funds can be a lengthy process and may impact on when such action can be taken. The Trustee may not be able to take actions notwithstanding the provision of indemnity and/or security and/or funds to it, in breach of the terms of the Trust Deed or Terms and Conditions.

The Issuer may raise other capital which affects the price of the Notes.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes, and there is no restriction on the Issuer issuing securities with or without Non-Viability Loss Absorption provisions (whether or not such provisions are similar to those of the Notes). The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders on a dissolution or winding-up and/or may increase the likelihood of a cancellation of interest under the Notes. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Notes and/or the ability of Noteholders to sell their Notes.

The operation of the resolution regime in Hong Kong may override the contractual terms of the Notes.

In Hong Kong, the FIRO became effective on 7 July 2017. The Monetary Authority is the relevant Hong Kong Resolution Authority in relation to banking sector entities in Hong Kong, such as the Bank. The Monetary Authority's powers under FIRO 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, and powers to amend or alter the contractual provisions of the Notes. Whilst the FIRO sets out a framework of the resolution regime in Hong Kong, much of the detail is to be legislated through secondary legislation and supporting rules, and as such the impact of it on the Notes cannot currently be fully accurately assessed. See "*Regulation and Supervision – The Hong Kong "Resolution Regime"*".

The operation of the resolution regime in Hong Kong may affect the rights of the Noteholders and could result in the Noteholders losing their rights in relation to accrued and future interest without compensation. See "*– The Notes contain non-viability loss absorption and bail-in provisions*".

FORM OF PRICING SUPPLEMENT

19 February 2019

Application will be made to The Stock Exchange of Hong Kong Limited (**SEHK**) for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the SEHK and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, **Professional Investors**) only. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore - In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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 Directive 2014/65/EU (as amended, **MiFID II**); or (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. 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.

CHINA CITIC BANK INTERNATIONAL LIMITED 中信銀行（國際）有限公司

Issue of U.S.$500,000,000 4.625 per cent. Tier 2 Subordinated Notes due 2029

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 (the **Original Offering Circular**), the supplemental offering circular dated 19 February 2019 (the **Supplemental Offering Circular** and together with the Original Offering Circular, the **Offering Circular**). The Notes may be written-off in whole or in part upon the occurrence of a Non-Viability Event as defined in Condition 6.7 in paragraph 32 below.

This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. In particular, investors in the Notes should read the section titled "Investment Considerations" contained therein, including but not limited to the risk factors titled "The terms of the Notes contain non-viability loss absorption and bail-in provisions", "The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control" and "The operation of the resolution regime in Hong Kong may override the contractual terms of the Notes", which apply to the issue of Notes described herein.

1.	Issuer:		China CITIC Bank International Limited 中信銀行（國際）有限公司
2.	(a)	Series Number:	11
	(b)	Tranche Number:	1
3.	Specified Currency or Currencies:		U.S. dollars (**U.S.$**)
4.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$500,000,000
	(b)	Tranche:	U.S.$500,000,000
5.	(a)	Issue Price:	99.586 per cent. of the Aggregate Nominal Amount
	(b)	Gross Proceeds:	U.S.$497,930,000
6.	(a)	Specified Denominations:	U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof
	(b)	Calculation Amount:	U.S.$1,000, subject to adjustment following the occurrence of a Non-Viability Event.
7.	(a)	Issue Date:	28 February 2019
	(b)	Interest Commencement Date:	Issue Date

8.	Maturity Date:	28 February 2029
9.	Interest Basis:	Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:	Not applicable
12.	Put/Call Options:	Issuer Call (further particulars specified below)
13.	(a) Status of the Notes:	Dated Subordinated
	(b) Date Board approval for issuance of Notes obtained:	24 August 2018 and 12 October 2018
	(c) Date of regulatory approval for issuance of the Notes obtained:	NDRC approval dated 9 February 2018 and Monetary Authority approval dated 8 February 2019
14.	Listing:	SEHK. It is expected that dealing in, and listing of, the Notes on the SEHK will commence on or about 1 March 2019
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	Applicable
	(a) Rate(s) of Interest:	From and including the Issue Date to but excluding 28 February 2024 (the **Call Date**), 4.625 per cent. per annum payable semi-annually in arrear From and including the Call Date to, but excluding the Maturity Date, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate and (b) the Spread, payable semi-annually in arrear. **Calculation Business Day** means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong. **Calculation Date** means the Calculation Business Day preceding the Call Date. **Comparable Treasury Issue** means the U.S. Treasury security selected by the Calculation Agent as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt

securities with a maturity of five years.

Comparable Treasury Price means, with respect to any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

Reference Treasury Dealer means each of the three nationally recognized investment banking firms selected by the Issuer that are primary U.S. Government securities dealers.

Reference Treasury Dealer Quotations means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 10.00 a.m. New York City time, on such Calculation Date.

Spread means 2.25 per cent. per annum, which is calculated as (a) 4.719 per cent. per annum (being the yield on the Notes at the date of this Pricing Supplement) minus (b) 2.469 per cent. For information purposes only, (b) is the rate in per cent. per annum equal to the yield on U.S. Treasury securities having a maturity of five years as on 19 February 2019.

U.S. Treasury Rate means the rate in percentage per annum notified by the Calculation Agent to the Issuer and the Noteholders (in accordance with Condition 15 (*Notices*)) equal to the yield on U.S. Treasury securities having a maturity of five years as is displayed on Bloomberg page "PX1" (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent) at 6:00 p.m. (New York time) on the Calculation Date. If such page (or any successor page or service) does not display the relevant yield at 6:00 p.m. (New York time) on the Calculation Date, **U.S. Treasury Rate** shall mean the rate in percentage per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The U.S. Treasury Rate will be calculated on the relevant Calculation Date.

(b) Interest Payment Date(s):	28 February and 28 August in each year beginning on 28 August 2019 up to and including the Maturity Date, with the first Interest Payment Date commencing on 28 August 2019.

	(c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	Not Applicable
	(d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	Not Applicable
	(e) Day Count Fraction:	30/360
	(f) Determination Date(s):	Not Applicable
	(g) Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):	Not Applicable
	(h) Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
17.	Floating Rate Note Provisions	Not Applicable
18.	Zero Coupon Note Provisions	Not Applicable
19.	Index Linked Interest Note Provisions	Not Applicable
20.	Dual Currency Interest Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	Applicable
	(a) Optional Redemption Date(s):	28 February 2024, subject to the prior written consent of the Monetary Authority
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	U.S.$1,000 per Calculation Amount, subject to adjustment following the occurrence of a Non-Viability Event.
	(c) If redeemable in part:	Not Applicable
	(d) Notice period (if other than as set out in the Conditions):	As set out in Condition 8.4
22.	Investor Put:	Not Applicable
23.	Final Redemption Amount:	U.S.$1,000 per Calculation Amount, subject to

		adjustment following the occurrence of a Non-Viability Event.
24.	Early Redemption Amount payable on redemption for taxation reasons or regulatory reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.6):	U.S.$1,000 per Calculation Amount, subject to adjustment following the occurrence of a Non-Viability Event.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	Registered Notes: Registered Global Note (U.S.$500,000,000 nominal amount)
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Not Applicable
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Not Applicable
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 of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	Not Applicable
	(b) Instalment Date(s):	Not Applicable
30.	Redenomination applicable:	Redenomination not applicable
31.	Payment of US Dollar Equivalent	Not Applicable
32.	Other terms or special conditions:	The following paragraph shall be added as a new Condition 2.7 "**Exercise of Options or Partial Write-off in Respect of Definitive Registered Notes**: In the case of an exercise of an Issuer's option in respect of, or a partial Write-off of (as the case may be), a holding of Notes represented by a single Definitive

Registered Note, a new Definitive Registered Note shall be issued to the relevant Noteholder to reflect the exercise of such option, or such partial Write-off, or in respect of the balance of the holding not redeemed or (as the case may be) Written-off. New Definitive Registered Notes shall only be issued against surrender of the existing Definitive Registered Notes to the Registrar or any other Transfer Agent."

The following paragraph shall replace Condition 2.5:

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

Suspension Period means the period commencing on the second Hong Kong Business Day (as defined in Condition 6.8 below) immediately following the date of a Non-Viability Event Notice and ending on the close of business in Hong Kong on the effective date of the related Write-off.

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, ***Suspension Period*** *shall mean the period commencing on the second Hong Kong Business Day immediately following the date on which a Non-Viability Event Notice is received by Euroclear and/or Clearstream, Luxembourg and ending at the close of business in Hong Kong on the effective date of the related Write-off."*

The following paragraph shall replace Condition 3.2.1:

"**3.2.1 Provisions relating to Dated Subordinated Notes**

If the Notes are specified as Dated Subordinated Notes in the applicable Pricing Supplement, the Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated in the manner described below.

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up (as defined below) of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below)), the rights of the Noteholders to payment of principal and interest on the Notes, and any other obligations in respect of the Notes, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments (as defined below) of the Issuer, in each case in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Noteholders or the Trustee to provide evidence of their claim to principal or interest under the Notes, such claims of the Noteholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole.

The Notes are intended to qualify as Tier 2 capital under the Banking (Capital) Rules (Cap.155L) (as amended).

For the purposes of these Conditions:

Authorized Institution has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong.

Capital Regulations means capital regulations from time to time applicable to the regulatory capital of Authorized Institutions in Hong Kong as published by the Monetary Authority.

Directors means the Board of Directors from time to time of the Issuer and **Director** means any one of them.

Group means the Issuer and its Subsidiaries taken as a whole.

Junior Obligation means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference shares) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Notes by operation of law or contract.

Parity Obligation means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as a Tier 2 Capital Instrument (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into, or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Notes by operation of law or contract, which excludes any Junior Obligations of the Issuer.

Permitted Reorganisation means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Notes.

Shares means the ordinary share capital of the Issuer.

Subordinated Creditors means all creditors the indebtedness of 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 other than those whose claims rank or is expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Noteholders. For this purpose, indebtedness shall include all liabilities, whether actual or contingent.

Subsidiary of the Issuer means any company (i) in which the Issuer holds a majority of the voting rights, (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the Directors, (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer from time to time or (iv) whose affairs are for the time being required to be fully consolidated in the consolidated accounts of the Issuer.

Tier 1 Capital Instruments means any instrument issued by the Issuer that constitutes Tier 1 capital of (x) the Issuer, on an unconsolidated basis, or (y) the Group, on a consolidated basis, pursuant to the Capital Regulations. For the avoidance of doubt, Tier 1 Capital Instruments does not include Shares.

Tier 2 Capital Instruments means any instrument issued by the Issuer that constitutes Tier 2 capital of (x) the Issuer, on an unconsolidated basis, or (y) the Group, on a consolidated basis, pursuant to the Capital Regulations.

Winding-Up means a final and effective order or resolution for the winding up, liquidation or similar proceeding in respect of the Issuer."

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 or procure to be completed 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."

The following paragraphs shall be inserted in Condition 6:

"6.7 **Non-Viability Event in respect of Dated Subordinated Notes**

(A) Write-off on a Non-Viability Event

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the holders of the Dated Subordinated Notes) reduce the then prevailing principal amount of, and cancel any accrued but unpaid interest of each Dated Subordinated Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Dated Subordinated Note (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Notes so reduced and cancelled upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the **Write-off**, and

Written-off shall be construed accordingly).

Once any principal amount of, and any accrued but unpaid interest under, the Dated Subordinated Notes has been Written-off, it will not be restored in any circumstances, including where the relevant Non-Viability Event ceases to continue.

Concurrently with the giving of the notice of a Non-Viability Event, the Issuer shall procure unless otherwise directed by the Monetary Authority, that a similar notice be given in respect of other loss absorbing regulatory capital instruments in accordance with their terms.

For the avoidance of doubt, any Write-off pursuant to this provision will not constitute an Event of Default under the Notes.

Any reference in the Conditions to principal in respect of the Notes shall thereafter refer to the principal amount of the Notes, subject to any applicable Write-off(s).

(B) Definitions

In this Condition 6.7:

Dated Subordinated Notes means Subordinated Notes with a fixed term.

Non-Viability Event means the earlier of:

(a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and

(b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

Non-Viability Event Notice means the notice referred to in this Condition 6.7, which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the holders of the Notes, the Trustee and the Paying Agents, in accordance with Condition 15 and which shall state:

(i) with reasonable detail the nature of the relevant Non Viability Event; and

(ii) the Non-Viability Event Write-off Amount for (i) each Subordinated Note and (ii) each other Subordinated Capital Security on the Loss Absorption Effective Date in accordance with its terms and (iii) specifying the Loss Absorption Effective Date;

Non-Viability Event Write-off Amount means the amount of interest and/or principal to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (i) the Write-off will be effected in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (ii) in the case of an event falling with paragraph (b) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Note will be calculated based on a percentage of the principal amount of that Note.

Subordinated Capital Security means any Junior Obligations or Parity Obligations which contains provisions relating to a write-down or conversion into ordinary shares in respect of its principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

Any Series of Dated Subordinated Notes may be subject to one or more Write-offs in part (as the case may be), except where such Series of Dated Subordinated Notes has been Written-off in its entirety.

6.8 Hong Kong Resolution Authority Power

Notwithstanding any other term of the Notes, including without limitation Condition 6.7, or any other agreement or arrangement, each Noteholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Notes being written-off, cancelled, converted or modified, or to having the form of the Notes changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

(a) the reduction or cancellation of all or a part of the principal amount of, or interest on, the Notes;

(b) the conversion of all or a part of the principal amount of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes; and

(c) the amendment or alteration of the maturity of the Notes or amendment or alteration of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period, or any other amendment or alteration of these Conditions.

With respect to (a), (b) and (c) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Noteholders and the Trustee under the Notes and these Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Notes or payment of interest on the Notes shall become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Resolution Authority Power to the Noteholders in accordance with

Condition 15.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or interest on the Notes, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes shall constitute an Event of Default under Condition 11.2.

The Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the ***Ordinance****) was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (the* ***HKSAR Government****) in June 2016. The Ordinance has become effective on 7 July 2017 and all licensed banks in Hong Kong are subject to the Ordinance.*

For the purposes of these Conditions:

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

Hong Kong Resolution Authority Power means any power which may exist from time to time under the Ordinance relating to financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group (including, for the avoidance of doubt, powers under Part 4 and Part 5 of the Ordinance) or any other laws, regulations, rules or requirements relating thereto, as the same may be amended from time to time (whether pursuant to the Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified and/or converted into shares or other securities or obligations of the obligor or any other person.

relevant Hong Kong Resolution Authority means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer."

The following paragraph shall be added as a new Condition 8.2A:

"8.2A Redemption for tax deduction reasons

Subject to Condition 8.12, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Registrar, and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable, subject to Condition 6.7, and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 8.2A, a Tax Deduction Event occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) in respect of the interest payable on the Notes, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax 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 an agreement is reached to issue the Notes and such change or amendment was not foreseeable at the time of such agreement; and

(b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it, provided that: (i) the Conditions for Redemption set out in Condition 8.12 have been satisfied and (ii) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the interest payable on the Notes as provided in paragraph (a) above 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 an agreement is reached to issue the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2A, 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: (1) the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it and (ii) a copy of the written consent of the Monetary Authority 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.

Notes redeemed pursuant to this Condition 8.2A will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.7."

Condition 8.12 shall be deleted in its entirety and replaced with the following:

"Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Notes (other than pursuant to Condition 8.1 and Condition 11.2) and the Issuer or any of its Subsidiaries shall not purchase any of the Notes unless the prior written consent of the Monetary Authority thereto shall have been obtained, provided however, that if from time to time the consent of the Monetary Authority is not a requirement of any such 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, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, 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 Notes in a purely nominee capacity."

The definition of "HKMA" in Condition 8.3 shall be deleted in its entirety and replaced with the following:

"**Monetary Authority** means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66.) of Hong Kong."

All reference to "HKMA" in the Conditions shall be replaced with "Monetary Authority".

DISTRIBUTION

33.	(a) If syndicated, names of Managers:	*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers:* China CITIC Bank International Limited 中信銀行（國際）有限公司 Citigroup Global Markets Limited The Hongkong and Shanghai Banking Corporation Limited ICBC International Securities Limited 工銀國際證券有限公司 *Joint Bookrunners and Joint Lead Managers:* Bank of China Limited China Construction Bank (Asia) Corporation Limited China Merchants Securities (HK) Co., Limited China Minsheng Banking Corp., Ltd., Hong Kong Branch CMB Wing Lung Bank Limited Mizuho Securities Asia Limited Standard Chartered Bank (together, the **Managers**)
	(b) Stabilising Manager(s) (if any):	Any of the Managers (other than China CITIC Bank International Limited 中信銀行（國際）有限公司)
34.	If non-syndicated, name of relevant Dealer:	Not Applicable
35.	U.S. Selling Restrictions:	Reg. S Category 2; TEFRA not applicable
36.	Prohibition of Sales to EEA Retail Investors:	Applicable
37.	Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

38.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant	Not Applicable

	identification number(s):	
39.	Delivery:	Delivery against payment
40.	Additional Paying Agent(s) (if any):	Not Applicable
	ISIN:	XS1897158892
	Common Code:	189715889
41.	Ratings:	The Notes to be issued have been rated: Baa3 by Moody's
42.	Legal Entity Identifier:	54930034UPFJV0NHXV95

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.

Signed on behalf of the Issuer:

By:

Duly authorised

CAPITALISATION

The following table sets forth the consolidated capitalisation of the Group as at 30 June 2018. The information as at 30 June 2018 has been derived from the unaudited but reviewed condensed consolidated financial information of the Group as at 30 June 2018. This table should be read in conjunction with the unaudited condensed consolidated financial information of the Group as at 30 June 2018, including the notes thereto, incorporated by reference in this Offering Circular.

Short-term funding and long-term funding

	As at 30 June 2018	
	HK$	*US$* [(1)]
	(unaudited)	*(unaudited)*
	(in millions)	
Short-term borrowings[(2)]		
Deposits and balances of banks and financial institutions	5,383.4	694.6
Deposits of customers, short-term portion[(3)]	270,288.5	34.875.9
Certificates of deposits, short-term portion	3,138.3	404.9
Loan capital[(4)]	2,333.1	301.0
Total short-term liabilities	281,143.3	36.276.6
Capitalisations		
Long-term borrowings[(5)]		
Deposits of customers, long-term portion[(3)]	566.8	73.1
Debt securities issued	3,542.2	457.1
Loan capital[(4)]	3,954.0	510.2
Total long-term liabilities	8,063.1	1,040.4
Share capital[(6)]	18,404.0	2,374.7
Reserves	16,080.1	2,074.8
Shareholders' equity	34,484.1	4,449.6
Additional equity instruments	6,173.3	796.5
Total capitalisation[(7)]	48,720.4	6,286.5

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 30 June 2018, deposits of customers (short-term and long-term) amounted to HK$270,855.3 million (US$34,949.1 million).

(4) As at 30 June 2018, loan capital (short-term and long-term) amounted to HK$6,287.1 million (US$811.2 million).

(5) Long-term borrowings represent borrowings with a remaining maturity of more than one year.

(6) 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).

(7) Total capitalisation represents the sum of total long-term liabilities, shareholders' equity and additional equity instruments.

(8) On 6 November 2018, the Issuer issued U.S.$500,000,000 undated non-cumulative subordinated additional tier 1 capital securities.

Save as disclosed above, there has been no material change in the consolidated capitalisation of the Bank since 30 June 2018.

DESCRIPTION OF THE ISSUER

The section titled "Description of the Issuer" in the Offering Circular shall be replaced by the following in its entirety.

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 entered into share subscription agreements separately with five financial investors in relation to approximately HK$9.05 billion of capital injection 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 Xinhu 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 31 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 mortgage business 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 arising from 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 six months ended 30 June 2018, the Group reported consolidated net profits of HK$1,622.5 million (US$209.4 million), up 16.9 per cent. as compared to the corresponding period of the previous year. As at 30 June 2018, the Group had consolidated total assets, total loans (including trade bills) and total customer deposits and certificates of deposit issued of HK$349.3 billion (US$45.1 billion), HK$199.9 billion (US$25.8 billion) and HK$274.0 billion (US$35.4 billion), respectively, and its capital adequacy ratio, loans to deposits ratio, loans to total assets ratio and average liquidity coverage ratio were 17.8 per cent., 73.0 per cent., 57.2 per cent. and 220.7 per cent., respectively.

The Bank's operations currently comprise three main lines of business: Personal & Business Banking Group (**PBG**), Wholesale 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 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, state-owned enterprises, public and privately-owned enterprises, banks, non-bank financial institutions and public sector customers. 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, and real estate finance, as well as global markets and insurance products. WBG also meets the needs of its customers through its overseas branches, namely New York, Los Angeles, Singapore and Macau.

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. It experienced financial difficulties in 1985 as a result of adverse economic conditions in Hong Kong and incurred substantial losses. This led to the restructuring 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.

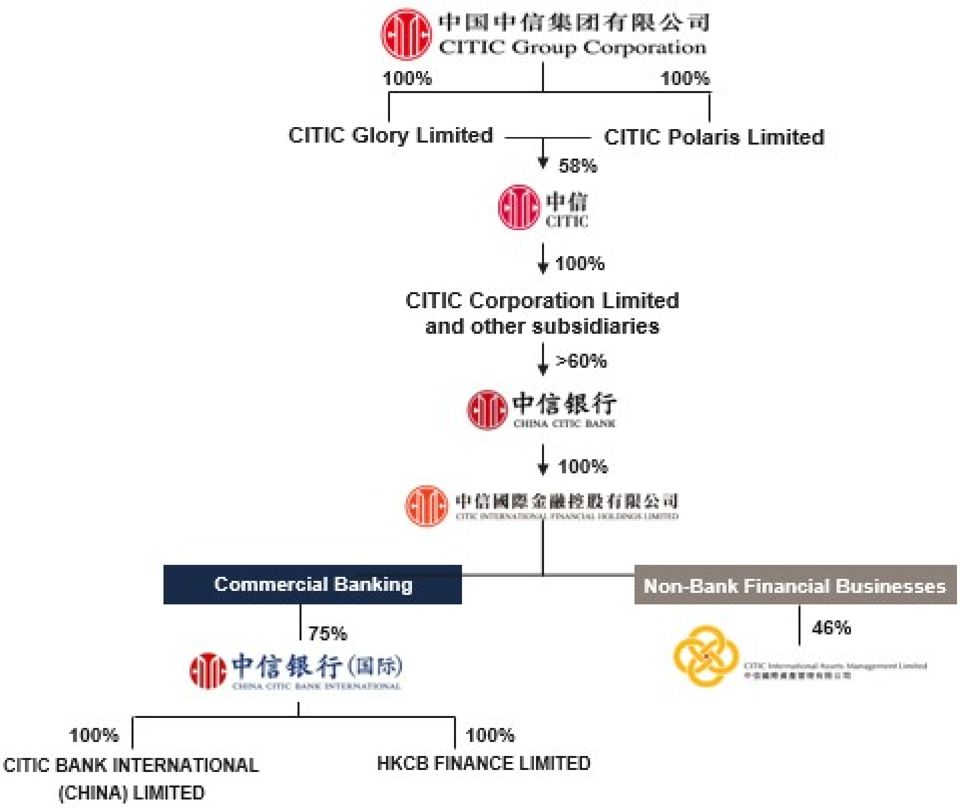
On 17 January 2002, CITIC Ka Wah Bank Limited completed the acquisition of the entire issued share capital of HKCB for an aggregate consideration of HK$4.2 billion. On 25 November 2002, the merger of CITIC Ka Wah Bank Limited and HKCB was completed after CITIC Ka Wah Bank Limited transferred most of its commercial banking assets and liabilities to HKCB and changed its name into "CITIC International Financial Holdings Limited" (**CIFH**). CIFH 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, CIFH and BBVA completed a strategic alliance agreement which involved BBVA taking a 14.58 per cent. stake in CIFH. On 3 June 2008, CITIC, through Gloryshare Investments Limited, proposed to privatise CIFH 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, CIFH's independent shareholders approved the Proposed Privatisation. On 5 November 2008, CIFH 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 arising from Chinese government policy initiatives such as the Greater Bay Area and "Belt and Road" initiatives, as well as 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 30 June 2018, CITIC*first* had built a client base of over 31,000 customers, with total client assets under management of over HK$132.0 billion (US$16.9 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 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. 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. In 2018, WBG adhered to the strategy of "Active Marketing, Conservative Underwriting" and achieved a breakthrough in its business.

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 Baldridge 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 Re-training 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; IFPHK – Accredited Professional Financial Planning Firm 2017; and Skypost Banking and Finance Awards 2017 – Excellence Award for Mobile Banking Service. During 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; 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; Thomson Reuters Hong Kong FX Award 2018 – E-FX Execution and FX Data Contribution; Mastercard – Highest Growth Card Spend 2nd runner up and Highest Growth Outstanding Balance 1st Runner Up; Shenzhen-Hong Kong Fintech Award – Shenzhen-Hong Kong Financial Collaborative Innovation Award Second Prize; The 18th Capital Outstanding Enterprise Awards – Private Bank; and LinkedIn Transformation Awards 2018 Hong Kong (Bronze). The Bank was also awarded the Caring Company Logo for the 15th consecutive year by the Hong Kong Council of Social Service.

Principal Business Activities

The Bank's operations currently comprise three main lines of business: PBG, WBG and TMG.

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 six months ended 30 June		
	2017	**2018**	**2018**
	HK$ *(unaudited)*	*HK$* *(unaudited)*	*US$* *(unaudited)*
		(in millions)	
Personal and Business Banking	1,131.3	1,266.1	163.4
Wholesale Banking	2,446.2	2,547.2	328.7
Treasury & Markets	476.0	546.4	70.5
Unallocated(1)	(81.4)	2.7	0.3
Operating Income	3,972.1	4,362.3	562.9

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 business line of the Group for the period indicated.

	For six months ended 30 June		
	2017	**2018**	**2018**
	HK$	*HK$*	*US$*
		(in millions)	
Personal and Business Banking	512.9	588.6	76.0
Wholesale Banking	1,135.3	1,415.6	182.7
Treasury & Markets..	338.9	334.3	43.1
Unallocated[(1)(2)]	(366.3)	(367.4)	(47.4)
Total profit before taxation.	1,620.7	1,971.1	254.3

Notes:

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

(2) Profit before taxation from "Unallocated" for the six months ended 30 June 2018 included revaluation loss on investment properties of HK$0.2 million (US$0.02 million) whilst profit before taxation from "Unallocated" for same period of 2017 included net loss on disposal of fixed assets and revaluation gain on investment properties of HK$3.8 million (US$0.5 million).

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 2018. PBG grew its retail deposits by 7.8 per cent. compared with year end 2017 to HK$141.0 billion (US$18.1 billion) as at 30 June 2018. In addition, PBG continued to make steady growth in mortgages, consumer finance and lending to small- and medium-sized enterprises (**SME**) in 2018. The outstanding retail lending balance reached HK$49.0 billion (US$6.3 billion) as at 30 June 2018, representing a 6.8 per cent. growth compared with year end 2017. Net interest income amounted to HK$867.5 million (US$111.2 million) for the first half of 2018, representing a 9.4 per cent. increase over same period last year. 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 first half of 2018, non-interest income amounted to HK$398.6 million (US$51.1 million), representing a 17.7 per cent. increase as compared to same period last year.

PBG continues to commit to innovating and delivering new financial technology solutions which can enhance customer experiences and provide competitive advantages over time. In March 2018, the Bank became the first bank in Hong Kong to launch inMotion mobile APP which enables Hong Kong identity card holders to open new bank accounts without having to physically go to a branch. inMotion is the Bank's strategic platform to transform retail banking model towards digitalisation and to create an innovative branding image in Hong Kong.

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, CITIC*first* 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 CITIC*first*'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. In the first half of 2018, PBG was awarded a Second Prize in the Shenzhen-Hong Kong Fintech Award jointly organized by the HKMA and the Shenzhen Office of Financial Service (OFDS) in recognition of its leading position and continuous breakthrough in the application of FinTech.

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

CITIC*first*. 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 CITIC*first*, 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 modulised 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 June 2018, CITIC*first* had attracted a total of over 31,000 customers with total client assets under management of over HK$132.0 billion (US$16.9 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 18 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, 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 6.8 per cent. compared with year ended 2017 with an outstanding balance of retail loan balance of HK$49.0 billion (US$6.3 billion) as at 30 June 2018. 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 Banking Group

Overview

Wholesale Banking Group strives 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.

*Real Estate Finance (**REF**)*. The REF team 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 to tailor-make products aimed at the sophisticated banking needs of corporate customers.

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.

Overseas branches

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 mainly with local enterprises and Chinese corporations engaged in US-related business activities.

Macau branch. The Bank's branch in Macau complements the Bank's geographic reach in the Greater Bay Area. The branch provides tailor-made services in the areas of trade finance, foreign exchange, remittances, corporate loans and deposits, and selected mortgage finance to individual borrowers.

Singapore branch. The Bank's Singapore branch provides wholesale banking and global markets products and services to corporate and institutional clients. The branch capitalises on opportunities from trade and capital flows between Singapore and China, particularly commodity trade-related activities, as well as growth opportunities in selected Southeast Asia countries.

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 30 June 2018, the Bank's outstanding certificates of deposit amounted to HK$3.14 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 financial assets at fair value through other comprehensive income portfolio. As at 30 June 2018, this portfolio amounted to HK$67.58 billion (US$8.7 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 79.4 per cent. of the fixed income securities held by the Group as at 30 June 2018 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 30 June 2018, 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 30 June 2018, the Group also leased properties with aggregate floor areas of approximately 196,976 square feet, 106,665 square feet and 17,287 square feet in Hong Kong Island, Kowloon and 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 30 June 2018, the Group owned approximately 10,268 square feet in Shanghai and leased approximately 4,842 square feet, 7,600 square feet, 8,900 square feet and 14,161 square feet in Macau, Los Angeles, New York and Singapore, respectively. As at 30 June 2018, the Group also owned several apartments in Shenzhen of approximately 2,474 square feet.

As at 30 June 2018, CBI (China) Ltd. leased approximately 14,243 square feet and 15,255 square feet of branch office space in Beijing and Shanghai, respectively and 24,965 square feet for its headquarters in Shenzhen.

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 and medical 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 Risk Management 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 2018, the Group, on a consolidated basis had a total of 2,142 employees as set forth in the following table.

		No. of Employees
PBG, WBG and TMG		1,114
Head office and operational support		746
Overseas (Mainland China, Macau, Singapore and the United States)		282
	Total:	2,142

As at 31 December 2018, approximately 27 per cent. of the Group's employees, on a consolidated basis, performed supervisory and management functions, while the remaining 73 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 6.8 training days during the year ended 31 December 2018, 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 December 2018, supported 22 Hong Kong incorporated licensed banks and 135 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 30 June 2018, the standard rate the Bank charged on its new-home mortgage loans was 3.00 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 30 June 2018, 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

The section titled "Selected Statistical and Other Information Relating to the Group" in the Offering Circular shall be replaced by the following in its entirety.

LOAN PORTFOLIO

Overview

As at 30 June 2018, the Group's total loans to customers were HK$199,892.6 million (US$25,792.6 million) which represented 57.2 per cent. of its total assets. Home mortgage loans and loans for property investment represented 14.6 per cent. of the Group's total loans to customers as at 30 June 2018.

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 2017			**As at 30 June 2018**		
	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	17,177.3	2,216.4	8.8%	1,086.5	140.2	0.5%
—Property investment	26,312.6	3,395.3	13.4%	14,574.5	1,880.6	7.3%
—Financial concerns	16,250.3	2,096.8	8.3%	17,932.1	2,313.8	9.0%
—Stockbrokers	6,564.2	847.0	3.3%	4,958.4	639.8	2.5%
—Wholesale and retail trade	14,236.2	1,836.9	7.3%	11,822.8	1,525.5	5.9%
—Manufacturing	17,020.1	2,196.1	8.7%	14,911.2	1,924.0	7.5%
—Transport and transport equipment	2,356.4	304.1	1.2%	2,157.0	278.3	1.1%
—Recreational activities	813.8	105.0	0.4%	3,870.4	499.4	1.9%
—Information technology	221.3	28.6	0.1%	6,381.0	823.4	3.2%
—Others	10,155.9	1,310.4	5.2%	10,964.9	1,414.8	5.5%
Individuals						
—Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	24.3	3.1	0.0%	23.4	3.0	0.0%
—Loans for the purchase of other residential properties	14,439.8	1,863.2	7.4%	14,677.8	1,893.9	7.3%
—Credit card advances	503.8	65.0	0.3%	489.7	63.2	0.2%
—Others	8,950.7	1,154.9	4.6%	10,786.9	1,391.9	5.4%
Gross loans and advances for use in Hong Kong	135,026.7	17,422.8	68.8%	114,636.6	14,791.8	57.3%
Trade finance	6,564.7	847.1	3.3%	5,040.8	650.4	2.5%

	As at 31 December 2017			As at 30 June 2018		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK$	*US$*		*HK$*	*US$*	
	(in millions)	*(in millions)*		*(in millions)*	*(in millions)*	
Gross loans and advances for use outside Hong Kong	54,695.6	7,057.5	27.9%	80,215.2	10,350.4	40.1%
Gross loans and advances to customers	196,286.9	25,327.3	100.0%	199,892.6	25,792.6	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 are exposed to PRC country risk. As at 30 June 2018, Mainland China-related loans accounted for 34.1 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 2017			As at 30 June 2018		
	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.	107,422.7	13,861.0	54.7%	106,457.9	13,736.5	53.3%
Mainland China	71,077.9	9,171.3	36.2%	68,208.2	8,801.1	34.1%
United States.	6,672.6	861.0	3.4%	6,167.5	795.8	3.1%
Singapore	3,705.6	478.1	1.9%	4,835.3	623.9	2.4%
Others.	7,408.1	955.9	3.8%	14,223.7	1,835.3	7.1%
Total	196,286.9	25,327.3	100.0%	199,892.6	25,792.6	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 30 June 2018, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for HK$73,247.5 million (US$9,451.3million). As at 30 June 2018, the Group's five largest borrowers (including groups of individuals and companies) accounted for HK$30,381.7 million (US$3,920.2 million) with the largest borrower accounting for HK$7,893.5 million (US$1,018.5 million) or 17.3 per cent. of the Group's capital base. As at 30 June 2018, 13.0 per cent. of the total loans to customers was represented by outstanding loans to individual borrowers of HK$25,977.8 million (US$3,352.0 million).

Loan analysis

A significant proportion of the Group's loans are advanced for the purchase of residential property. 11.8 per cent. and 11.5 per cent. of total loans to customers had a remaining maturity of more than five years as at 31 December 2017 and 30 June 2018, 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 2017			As at 30 June 2018		
	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)*		
Repayable on demand	5,964.8	769.7	3.0%	8,193.2	1,057.2	4.1%
Three months or less but not repayable on demand	35,118.1	4,531.4	17.9%	35,784.8	4,617.4	17.9%
One year or less but over three months	56,903.7	7,342.4	29.0%	54,695.9	7,057.5	27.4%
Five years or less but over one year	71,587.9	9,237.1	36.5%	77,279.6	9,971.6	38.7%
After five years	23,104.4	2,981.2	11.8%	23,043.1	2,973.3	11.5%
Undated[(1)]	3,608.0	465.5	1.8%	895.9	115.6	0.4%
Total:	196,286.9	25,327.3	100.0%	199,892.6	25,792.6	100.0%

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 30 June 2018, 54.7

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 Risk Officer of the Bank and other members of senior management / key staff. 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 criticized 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 the corporate exposure, 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 assess 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, credit bureau 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 credit bureau 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$1,250.5 million (US$161.4 million) as at 30 June 2018, representing 0.63 per cent. of the Group's total loans to customers.

The Bank's residential mortgage delinquency ratio was 0.08 per cent. as at 30 June 2018, which was above the industry average of 0.02 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 of "A3" from Moody's.

The Group's PRC exposure accounted for 34.1 per cent. of the Group's total loans to customers as at 30 June 2018. PRC-related non-performing loans as a percentage of the Group's total non-performing loans have been decreased from 37.4 per cent. as at 31 December 2008 to 20.2 per cent. as at 30 June 2018. The Group has been managing 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 15.1 per cent. of the Group's total loans to customers as at 30 June 2018. As a result, the Group's asset quality is closely correlated to the industry performance of the property markets. As at 30 June 2018, home mortgage loans accounted for HK$14,701.2 million (US$1,896.9 million) or 7.3 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 was 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 rating scales, providing calibrated internal rating. This system was developed to assess the creditworthiness of borrowers and output from the system will then be mapped to the 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). One of the key drivers 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.

Commencing 1 January 2018, the HKFRS 9 has been adopted for impairment assessment. Stage 1 or stage 2 impairment assessment is applied to non-impaired credit exposures while stage 3 assessment is applied to impaired credit exposures.

Stage 1 financial assets are comprised of all non-impaired financial assets which have not experienced a significant increase in credit risk (**SICR**) since initial recognition. The Group recognises 12-month expected credit losses (**ECL**) for stage 1 financial assets. In assessing whether credit risk has increased significantly, the Group compares the default risk as at the reporting date, with the default risk as at the date of its initial recognition.

Stage 2 financial assets are comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognises lifetime ECL for stage 2 financial assets. In subsequent reporting periods, if the credit risk of the financial assets improves such that there is no longer a SICR since initial recognition, the financial assets will be transferred back to stage 1 and the Group will recognise 12-month ECL.

Stage 3 financial assets are those that the Group has classified as credit-impaired. The Group recognises lifetime ECL for all stage 3 financial assets. The Group classifies financial assets as impaired when one or more events, which have a detrimental impact on the estimated future cash flows of the financial assets, have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred.

Top ten non-performing loans

As at 30 June 2018, the Group's ten largest non-performing loans accounted for 0.59 per cent. of its total loans to customers and 94.4 per cent. of its gross non-performing loans to customers. As at 30 June 2018, the Group's exposure from its ten largest non-performing loans ranged from HK$22.5 million (US$2.9 million) to HK$500.5 million (US$64.6 million), and amounted to approximately HK$1,180.7 million (US$152.4 million) in the aggregate out of HK$1,250.5 million (US$161.4 million) of non-performing loans in total. As at 30 June 2018, the Hong Kong exposure, PRC exposures and exposure to others accounted for approximately 43.36 per cent., 20.75 per cent. and 35.89 per cent. of the ten largest non-performing loans, respectively.

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 terms 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 six months ended 30 June 2018, the Group resolved a total of HK$798.4 million (US$103.0 million) of classified loans, as a result the total impaired loan was HK$1,250.5 million (US$161.4 million) as at 30 June 2018, equating to 0.63 per cent. of all loans. 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.

Asset and Liability Committee

ALCO comprises senior management of the Bank and 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 meeting shall be held twice a month 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 Financial Management Group (**FMG**) 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 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 and 220.7% for the first six month ended 30 June 2018. In each case, the average liquidity maintenance ratio was well above the statutory minimum of 25 per cent. in 2017 and the average liquidity coverage ratio was well above the statutory minimum of 80 per cent. in 2017 and 90 per cent. in 2018.

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 assist in the oversight and management of the Bank's risk related matters, including but not limited to the risk strategy, appetite/tolerance, profile, policies (including key risk procedures), fair value practices, capital adequacy and risk cultural, systems and various risk-related initiatives and projects. The risks concerned primarily include credit risk, market risk, interest rate risk, liquidity risk, operational risk (including fraud risk), reputational risk, legal risk, compliance risk, strategic risk and any risks associated with entering new markets, new areas of business, or dealing in new products or services. 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, Compliance Committee and New Product Committee. The CRMC comprises five 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 of Directors to manage and monitor the Market Risk and Fair Value related matters.

MRC is chaired by the Chief Risk Offer (CRO) from Risk Management Group, and comprises different senior management members of the Bank.

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

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.

Board of Directors

The current Board comprises the following individuals:

Name	Age	Title
SUN Deshun	60	Chairman
ZHANG Xiaowei	61	Vice Chairman
BI Mingqiang	48	President & Chief Executive Officer
KAN NG Chau Yuk Helen	57	Alternate Chief Executive Officer
BAI Lijun	38	Alternate Chief Executive Officer
FANG Heying	52	Non-executive Director
LI Shuk Yin	56	Independent Non-executive Director
TANG Shisheng	62	Independent Non-executive Director
TSANG King Suen Katherine	61	Independent Non-executive Director
WANG Guoliang	66	Independent Non-executive Director
WU Jiesi	67	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 over 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

(Vice Chairman)

Appointed Director of the Bank on 22 October 2012 and became the Vice Chairman of the Bank on 28 September 2018 when he retired from the role of President & 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, 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 over 30 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.

Mr. Bi Mingqiang

(Executive Director, President & Chief Executive Officer)

Appointed Director and Chief Executive Officer of the Bank on 28 September 2018. Mr. Bi has more than 20 years of multifaceted expertise in the finance industry with about half of that gained while serving various management positions in Canada, the US, and the UK, covering a wide range of banking businesses. He started his banking career with the Industrial and Commercial Bank of China (**ICBC**) and progressed through different assignments in project financing, corporate lending, credit risk management, sales management, global markets, mergers and acquisitions, and strategic planning. Mr. Bi has extensive experience in overseas operations setup and management, new business development, commercial banking management, cross-cultural people engagement, team effectiveness building, and corporate governance. Over the years, he has held various important positions including business heads, CEO, and chairmanship of several mainland and overseas organisations including Head of Credit Management of ICBC group, Country Head of ICBC’s US operations, CEO and President of ICBC Canada and Chairman of ICBC Standard Bank Plc headquartered in London. Prior to coming to Hong Kong, he was Managing Director of CICC Capital Management Co Ltd, a subsidiary of China International Capital Corporation Limited. Mr. Bi obtained his undergraduate and postgraduate degrees from Tsinghua University and subsequently a PhD in Finance from Renmin University of China.

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 over 30 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 of Laws in Arbitration and Alternative Dispute Resolution from The University of Hong Kong. She was appointed Council Member of The Hong Kong University of Science and Technology in August 2017.

Mr. BAI Lijun

(Executive Director, Alternate Chief Executive Officer and Treasurer)

Appointed Director of the Bank on 20 August 2018. Mr. Bai is currently Executive Director, Alternate Chief Executive Officer and Treasurer of the Bank and is responsible for the Bank's Treasury & Markets Group with a view to strengthen funding and liquidity management, in addition to a focus on driving CNCB- and CITIC group-related collaboration for enhanced business development for the Bank. He is also Chairman or Director of various subsidiaries of the Bank, including CNCBI Investment Holdings Limited, CNCBI Asset Management Limited and CNCBI Financial Consultant Limited. Mr. Bai joined China CITIC Bank Corporation Limited's Financial Markets Department from Bank of Beijing in 2006. In 2009, he took up an additional role at the Chairman Office of CITIC Group, assisting the Group's Chairman with corporate governance, group projects and business affairs. Prior to joining the Bank, Mr. Bai was CNCB's Deputy General Manager of the Office of the Board of Directors and Supervisors. Mr. Bai holds a Bachelor of Economics Degree from the School of Economics at Nankai University in Tianjin and a Master of Finance Degree from the School of Finance at Renmin University of China in Beijing.

Mr. Fang Heying

(Non-executive Director)

Appointed Director of the Bank on 24 March 2016. Mr. Fang is currently an Executive Director, 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 Chairman 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.

Ms. Li Shuk Yin

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 28 September 2018. Ms. Li is also a Director of Elite Beam Limited. She is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. She was formerly with KPMG from 1994 with her last role as the partner in charge of KPMG China's Financial Services Assurance team until her retirement in March 2018. Ms. Li has significant experience in accounting, capital market, market entrance, regulatory compliance related internal control and risk management in Hong Kong and China. Prior to joining KPMG, Ms. Li qualified as a Chartered Accountant with one of the Big Four firms and as controller with a real estate company and a financial services group in London. She graduated from University of Exeter, England with a Honours degree in Accountancy.

Mr. Tang Shisheng

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 13 November 2013. Mr. Tang is also an 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 a 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, The Industrial and Commercial Bank of China (Asia) Limited, and Non-executive Director of Shenzhen Investment Limited and Silver Base Group Holdings Limited and WeBank. 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.

PRINCIPAL SHAREHOLDERS

The section titled "Principal Shareholders" in the Offering Circular shall be replaced by the following in its entirety.

CITIC GROUP CORPORATION (CITIC)

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.

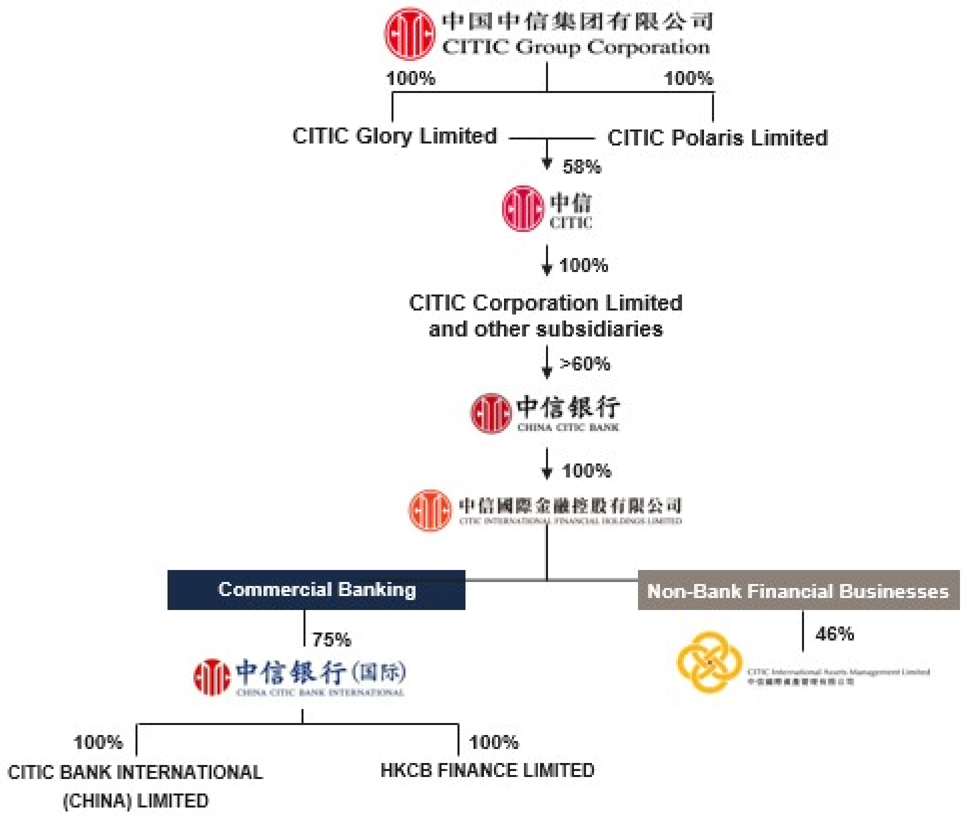
CITIC was approved by the PRC's State Council and established in 1979. Since its founding, CITIC has received the support of the PRC government. The late Mr. Rong Yiren, former Vice President of the PRC, was the first Chairman of CITIC. Since then, CITIC has grown into a large state-owned multinational 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 the Executive Director and 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.

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. Two directors of CNCB are currently the Chairman and the Non-executive Director 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 75 per cent. owned by 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 CIFH 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 for developing commercial banking business in Hong Kong and a commercial banking platform for new business expansion for CITIC in Asia.

As at 30 June 2018, the CIFH Group's total assets, shareholders' funds, total loans and total deposits were HK$353.9 billion (US$45.7 billion), HK$31.1 billion (US$4.0 billion), HK$199.9 billion (US$25.8 billion) and HK$274.0 billion (US$35.4 billion), respectively.

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

Principal Activities of the CIFH Group

The CIFH 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

SUBSCRIPTION AND SALE

The selling restriction for Singapore set forth in the section entitled " Subscription and Sale" in the Offering Circular shall be deleted in its entirety and replaced with the following:

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, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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