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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

4.250 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities

issued under the

U.S.$2,000,000,000 Medium Term Note Programme

This Supplement (this **Supplement**) to the Offering Circular dated 17 August 2016 (the **Offering Circular**) is prepared in connection with the U.S.$2,000,000,000 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 4.250 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the **Capital Securities**) 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 Capital Securities 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 Capital Securities in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Capital Securities 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 Capital Securities on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Capital Securities 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 Capital Securities on the SEHK will commence on or about 12 October 2016.

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 Capital Securities 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 Capital Securities are expected to be assigned a rating of "Ba2" by Moody's Investors Service Hong Kong Limited (**Moody's**). The rating does not constitute a recommendation to buy, sell or hold the Capital Securities and may be subject to suspension, reduction or withdrawal at any time by Moody's.

The Capital Securities 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 Capital Securities are being offered only outside the United States in reliance on Regulation S under the Securities Act.

As described in this Supplement, the terms of the Capital Securities provide that subject to the Conditions, the Capital Securities confer a right to receive Distributions on the principal amount (subject to adjustments following the occurrence of a Non-Viability Event (as defined herein) in accordance with the Conditions) from, and including, the Issue Date at the applicable Distribution Rate (as defined herein), payable semi-annually in arrear on 11 April and 11 October in each year. Distributions (as defined herein) will not be cumulative and Distributions which are not paid in accordance with the Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.

The terms of the Capital Securities also provide for circumstances under which the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date (as defined herein), in whole or in part, as applicable. The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with the Conditions and any failure to pay such Distribution shall not constitute an Event of Default (as defined herein). Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up (as defined herein) or otherwise.

The Capital Securities are perpetual and have no maturity date. Securityholders have no ability to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem Capital Securities 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 Securityholders of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined herein) per Capital Security. Once the principal amount of, and any accrued but unpaid distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off. Securityholders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.

THE CAPITAL SECURITIES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE CAPITAL SECURITIES INVOLVES RISKS. SEE "INVESTMENT CONSIDERATIONS" BEGINNING ON PAGE 16. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE CAPITAL SECURITIES WHICH FEATURE LOSS ABSORPTION.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China CITIC Bank International | **CITIC CLSA Securities** | **Citi** | **ICBC International**

Joint Bookrunners and Joint Lead Managers

ANZ | **BofA Merrill Lynch** | **BOCOM HK Branch**

CCB International | **CNCB HK Capital** | **HSBC** | **Mizuho Securities**

The date of this Supplement is 29 September 2016.

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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 unaudited condensed consolidated financial information as at and for the six months ended 30 June 2016 set forth below is derived from the Bank's unaudited condensed consolidated financial information, and should be read in conjunction with the 2016 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 2016 have been aggregated for the purpose of presentation of the summary financial information in the tables below.

The Bank's unaudited condensed consolidated financial information as at and for the six months ended 30 June 2016 was prepared in accordance with Hong Kong Financial Reporting Standards (**HKFRSs**).

For convenience only and unless otherwise noted, all translations from HK$ into US$ in this Supplement were made at the rate of HK$7.75 to US$1.00. No representation is made that the HK dollar amounts referred to in this Supplement could have been or could be converted into US dollars at any particular rate or at all.

SUMMARY INCOME STATEMENT DATA

	Six months ended 30 June		
	2015	**2016**	**2016**
	HK$	*HK$*	*US$*
		(in millions)	
Interest income	3,365.4	3,422.1	441.5
Interest expense	(1,637.5)	(1,536.4)	(198.2)
Net interest income	1,727.9	1,885.7	243.3
Non-interest income	968.1	970.8	125.3
Operating expenses	(1,276.8)	(1,281.2)	(165.3)
Operating profit before impairment	1,419.2	1,575.3	203.3
Impairment losses written-back/(charged) on loans and advances and other accounts	54.5	(155.5)	(20.1)
	1,473.7	1,419.8	183.2
Non-operating income	3.5	(0.2)	(0.0)
Profit before taxation	1,477.2	1,419.6	183.2
Income tax	(240.9)	(230.3)	(29.7)
Profit for the period	1,236.3	1,189.3	153.5
Earnings per share (HK$)	0.17	0.13	0.02

SUMMARY STATEMENT OF FINANCIAL POSITION DATA

	As at 31 December	As at 30 June	
	2015	**2016**	**2016**
	HK$	*HK$*	*US$*
		(in millions)	
Assets			
Cash and balances with banks, central banks and other financial institutions	20,322.7	26,418.1	3,408.8
Placements with and advances to banks, central banks and other financial institutions	30,390.7	26,452.2	3,413.2
Trading assets	4,277.5	3,899.8	503.2
Loans and advances to customers and other accounts	173,479.9	182,973.4	23,609.4
Available-for-sale securities	53,151.5	55,089.7	7,108.3
Property and equipment			
— Investment property	186.0	185.7	24.0
— Other property and equipment	657.3	660.2	85.2
Tax recoverable	33.1	-	-
Deferred tax assets	36.3	8.4	1.1
Total Assets	282,535.0	295,687.5	38,153.2
Equity and Liabilities			
Deposits and balances of banks and other financial institutions	2,658.3	6,798.3	877.2
Deposits from customers	220,683.7	227,193.1	29,315.2
Trading liabilities	3,555.6	3,223.2	415.9
Certificates of deposit issued	10,388.3	12,931.9	1,668.6
Current taxation	61.9	98.9	12.8
Deferred tax liabilities	1.7	17.6	2.3
Other liabilities	12,365.1	9,410.1	1,214.2
Loan capital	8,766.2	8,922.0	1,151.2
Total Liabilities	258,480.8	268,595.1	34,657.4
Equity			
Share capital	7,566.3	9,366.3	1,208.6
Reserves	14,177.7	15,415.9	1,989.1

	As at 31 December	As at 30 June	
	2015	2016	2016
	HK$	*HK$*	*US$*
		(in millions)	
Total equity attributable to equity shareholders of the Bank	21,744.0	24,782.2	3,197.7
Additional equity instruments	2,310.2	2,310.2	298.1
Total Equity	24,054.2	27,092.4	3,495.8
Total Equity and Liabilities	282,535.0	295,687.5	38,153.2

	At 31 December 2015	At 30 June 2016
OTHER INFORMATION		
Common Equity Tier 1 (CET1) capital ratio(1)	10.5%	11.1%
Tier 1 capital ratio(1)	11.7%	12.3%
Total capital ratio(1)	16.5%	16.4%
Average liquidity maintenance ratio(2)	61.8%	65.5%
Loans to deposits	73.5%	73.4%
Loans to total assets	60.1%	59.6%
Cost to income	44.0%	44.9%
Return on average total assets	0.83%	0.85%
Return on average shareholders' equity	10.24%	9.88%

Notes:

(1) As at 30 June 2016 and 31 December 2015, the capital adequacy ratio was computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the **HKMA**) for its regulatory purposes, and was in accordance with Banking (Capital) Rules.

(2) The average liquidity maintenance ratio (**LMR**) is calculated based on the arithmetic mean of the average value of LMR for each month during the reporting period, which is also computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA.

TIER I AND TIER II CAPITAL BASE

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

	As at 31 December 2015	As at 30 June 2016	
	HK$	*HK$*	*US$*
		(in millions)	
Common Equity Tier 1 (CET1) capital instruments and reserves			
Directly issued qualifying CET1 capital instruments plus any related share premium	7,566.3	9,366.3	1,208.6
Retained earnings	13,878.1	14,979.6	1,932.8
Disclosed reserves	299.6	436.0	56.3
CET1 capital before regulatory deductions	21,744.0	24,781.9	3,197.7
CET1 capital: regulatory deductions			
Deferred tax assets net of deferred tax liabilities	36.3	8.4	1.1
Gains and losses due to changes in own credit risk on fair valued liabilities	(265.0)	(404.7)	(52.2)
Cumulative fair value gains arising from the revaluation of land and buildings (covering own-use and investment properties)	111.3	111.1	14.4
Regulatory reserve for general banking risks	2,572.0	2,606.4	336.3
Valuation adjustments	—	3.2	0.4
Debt valuation adjustments in respect of derivative contracts	3.1	5.6	0.7
Total regulatory deductions to CET1 capital	2,457.7	2,330.0	300.7
CET1 capital	19,286.3	22,451.9	2,897.0
Additional Tier 1 (AT1) capital			
Total Additional Tier 1 capital	2,313.5	2,313.5	298.5
Tier 1 capital	21,599.8	24,765.4	3,195.5

	As at 31 December 2015	As at 30 June 2016	
	HK$	*HK$*	*US$*
		(in millions)	
Tier 2 capital instruments and provisions			
Qualifying Tier 2 capital instruments plus any related share premium	6,657.9	6,048.8	780.5
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	50.1	50.0	6.5
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,110.3	2,350.6	303.3
Tier 2 capital base before deductions	8,818.3	8,449.4	1,090.3
Tier 2 capital: regulatory deductions	—	—	—
Total regulatory deductions to Tier 2 capital	—	—	—
Tier 2 capital	8,818.3	8,449.4	1,090.3
Total capital	30,418.1	33,214.8	4,285.8

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 4.250 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities.
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 CLSA Limited 中信里昂證券有限公司 Citigroup Global Markets Limited ICBC International Securities Limited 工銀國際證券有限公司
Joint Bookrunners and Joint Lead Managers[1]	Australia and New Zealand Banking Group Limited 澳新銀行集團有限公司 Bank of Communications Co., Ltd. Hong Kong Branch CCB International Capital Limited 建銀國際金融有限公司 CNCB (Hong Kong) Capital Ltd. 信銀(香港)資本有限公司 The Hongkong and Shanghai Banking Corporation Limited Merrill Lynch International Mizuho Securities Asia Limited 瑞穗證券亞洲有限公司
Issue Date	11 October 2016
Status of the Capital Securities	The Capital Securities 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 Securityholders 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 Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities will 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), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to

[1] The Issuer has entered into a subscription agreement with the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers dated 29 September 2016 (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 and CNCB (Hong Kong) Capital Ltd. 信銀(香港)資本有限公司） or procure subscribers for, the aggregate principal amount of the Capital Securities.

rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (y) *pari passu* in right of payment to and of all claims of Parity Obligations; and (z) senior in right of payment to and of all claims of Junior Obligations in the manner provided in the Trust Deed.

Parity Obligation means any instrument or other obligation issued, entered into, or guaranteed by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or that ranks or is expressed to rank *pari passu* with the Capital Securities by operation of law or contract.

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 Capital Securities by operation of law or contract.

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 Capital Securities.

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 Securityholders of the Capital Securities. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

Tier 2 Capital Securities means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that ranks or is expressed to rank senior to the Capital Securities by operation of law or contract.

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

No Set-off	Subject to applicable law, no Securityholder 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 Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.
Form and Denomination	The Capital Securities will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of

U.S.$1,000 in excess thereof.

Distributions	Subject to Condition 6B, the Capital Securities confer a right to receive Distributions on the principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 6C) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 11 April and 11 October in each year.
Non-cumulative Distributions	Distributions will not be cumulative and Distributions which are not paid in accordance with Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.
Distribution Rate	The Distribution Rate applicable to the Capital Securities shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding, 11 October 2021 (the **First Call Date**), 4.250 per cent. per annum; (ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate. **Reset Distribution Rate** means, in relation to a Reset Interest Period, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate (as determined as set out below) and (b) the Spread.
Optional Distribution Cancellation Event	Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distribution, in whole or in part, by giving a notice to the Trustee signed by two Directors of the Issuer, as further described in "*Terms and Conditions of the Capital Securities – Distribution Restrictions – Optional Distribution Cancellation Event*".
Mandatory Distribution Cancellation Event	Notwithstanding that a Distribution Cancellation Notice has not been given, the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, upon a Mandatory Distribution Cancellation Event, as further described in "*Terms and Conditions of Capital Securities – Distribution Restrictions – Mandatory Distribution Cancellation Event*".
No Obligation to Pay	The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with Condition 6B and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-

cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up or otherwise.

No Claim by Securityholders for Distributions:	No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable as described under "*Terms and Conditions of the Capital Securities – Distribution Restrictions – Optional Distribution Cancellation Event*", "*Terms and Conditions of the Capital Securities – Distribution Restrictions – Mandatory Distribution Cancellation Event*" and "*Terms and Conditions of the Capital Securities – Distribution – Non-Cumulative Distribution*". Accordingly, such Distribution shall not accumulate for the benefit of Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.
Distributable Reserves	Any Distribution may only be paid out of Distributable Reserves. **Distributable Reserves** means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong (**Companies Ordinance**), as amended or modified from time to time, as at the Issuer's latest audited balance sheet, and subject to the Monetary Authority's then current capital conservation requirements as applicable to the Issuer on the relevant Distribution Payment Date (the **Available Amount**); provided that if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer's latest audited balance sheet and is insufficient to pay the Distributions and any payments on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distribution mean the Available Amount as set forth in such certificate. **Monetary Authority** means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66 of the Laws of Hong Kong) or any successor thereto or such other authority having primary bank supervisory authority with respect to the Issuer. *As at the date hereof, pursuant to section 297(1) of the Companies Ordinance, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance, the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganization of capital.*
Dividend Stopper	If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of Condition

6B, the Issuer shall not:

(i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or

(ii) purchase, cancel or otherwise acquire any Shares or permit any of its subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date has been paid in full to Securityholders or a designated third party trust account for the benefit of the Securityholders, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution.

Shares means the ordinary share capital of the Issuer.

See "*Terms and Conditions of the Capital Securities – Dividend Stopper*" for further information.

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 Securityholders of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Capital Securities 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).

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

Securityholders of the Capital Securities, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state in reasonable detail the nature of the relevant Non Viability Event and the Non-Viability Event Write-off Amount per Capital Security and each other Subordinated Capital Security.

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 full amount of the Capital Securities will be Written-off 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 Capital Security will be calculated based on a percentage of the principal amount of that Capital Security.

Consequence of Non-Viability Loss Absorption

Once the principal amount of, and any accrued but unpaid Distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

Hong Kong Bail-in Power

Notwithstanding any other term of the Capital Securities, including without limitation Condition 6C or any other agreement or arrangement, each Securityholder and the Trustee shall be subject, and shall be deemed to agree and acknowledge that they are each subject, to the exercise of any Hong Kong Bail-in 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 Distributions on, the Capital Securities;

(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities 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

Capital Securities; and

(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions 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 Distributions shall include payments of principal and Distributions that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Bail-in Power. The rights of the Securityholders under the Capital Securities 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 Bail-in Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Capital Securities or payment of Distributions on the Capital Securities shall become due and payable or be paid after the exercise of any Hong Kong Bail-in 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 Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities, 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 Bail-in Power to the Securityholders.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, 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 Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute an Event of Default under Condition 11.2A.

Maturity Date

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with Condition 8.

Redemption at the Option of the Issuer	The Issuer may redeem all, but not some only, of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, as further described in "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption at the option of the Issuer (**Issuer Call**)*".
Redemption for Taxation Reasons	Subject to Condition 8.12A, the Capital Securities 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 Withholding Tax Event has occurred. Capital Securities 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 6C. See "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption for tax reason*" for further information.
Redemption for Tax Deduction	Subject to Condition 8.12A, the Capital Securities 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 Distribution payable on the Capital Securities, 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 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 Capital Securities. Capital Securities 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 6C. See "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption for tax deduction reasons*" for further information.
Redemption for Regulatory Reasons	Subject to Condition 8.12A, the Capital Securities 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 Capital Event. A **Capital Event** occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in Condition 8.3A that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 Capital (or equivalent) of the Issuer and/or (b) the Capital Securities cease to be included in the calculation of the Issuer's capital adequacy ratio, as a result of changes or amendments in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap.155) of Hong Kong, Banking (Capital) Rules (Cap. 155L), Banking (Capital) (Amendment) Rules 2012, or any successor legislation, or any statutory guidelines issued by the Monetary Authority. Capital Securities 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 6C. See "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption of the Capital Securities for regulatory reasons*" for further information.
Conditions for Redemption and Purchase in respect of the Capital Securities	The Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 11.2A) and the Issuer or any of its Subsidiaries shall not purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, as further described in "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Conditions for Redemption and Purchase in respect of the Capital Securities*".
Taxation	All payments of principal and Distribution in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any withholding taxes imposed by Hong Kong, subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Governing Law	The Trust Deed, the Capital Securities, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.3(a) and Clause 7.2 of the Trust Deed shall be governed by and construed in accordance with the laws of Hong Kong.

Rating	The Capital Securities are expected to be assigned a rating of "Ba2" by Moody's. The rating does not constitute a recommendation to buy, sell or hold the Capital Securities 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 Capital Securities on the SEHK by way of debt issues to professional investors.
Capital Treatment of the Capital Securities	It is intended that the Capital Securities will qualify in full as Additional Tier I capital 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 Capital Securities. Attention is drawn particularly to the information under the section "Investment Considerations" in pages 69 to 88 (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 Capital Securities.

THE CAPITAL SECURITIES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE CAPITAL SECURITIES INVOLVES RISKS. SEE "INVESTMENT CONSIDERATIONS" BEGINNING ON PAGE 16. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE CAPITAL SECURITIES 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 69-76 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 August 2016, supported 22 Hong Kong incorporated licensed banks and 135 licensed banks incorporated outside Hong Kong competing for a consumer population of over 7 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 2016, the standard rate the Bank charged on its new-home mortgage loans was 2.85 per cent. below the prime lending rate or 170 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 2015 and the period ended 30 June 2016, the Bank's net interest margin was 1.38 per cent. and 1.41 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 2016, 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 7.2 per cent. of the Group's total loans to customers while loans for property investment accounted for 14.3 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. During the period from 1997 to the first half of 2003, property prices and transaction volumes in the Hong Kong property market have experienced significant declines although both have risen significantly since the end of 2003. In addition, while the Hong Kong property market showed improvement during the period from 2004 to the first half of 2008, property prices in Hong Kong declined in the second half of 2008 and early 2009, before increasing significantly since the second half of 2009. In light of the increasing risk of a property price bubble, the Hong Kong government has introduced various measures to cool the Hong Kong property market since 2012. These measures, combined with slowing economic growth and expectations of increases in the Hong Kong dollar interest rate, have finally worked to bring down the property prices from September 2015 onwards. The Centa-City Index has dropped by 13 per cent. since, and is expected to decline further, the extent to which depends on when the Hong Kong government will relax its cooling measures, as well as a number of other factors including the Hong Kong dollar interest rate movements (largely dependent on the timing and pace of US interest rate hikes), capital outflow pressures in relation to global competitive monetary easing and currency depreciation, growth prospects of the Hong Kong economy, economic, Renminbi and property market developments in Mainland China and changes in the property demand/supply balance in the Hong Kong market, etc. It is anticipated that the cooling measures of the Hong Kong government will begin to relax once the property prices fall by a further 5 to 10 per cent., with property prices being more stabilised. Any substantial decreases in property values could adversely affect the Group's business and financial condition and/or results of operations.

The Group has significant PRC exposure

A significant proportion of the Group's loans are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or guaranteed by entities domiciled in the PRC and thus have their risks transferred to PRC country risk. Such PRC-related loans accounted for 29.8 per cent. of the Group's total loans to customers as at 30 June 2016. For the six months ended 30 June 2016, 8.1 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 2016, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for approximately HK$52,878.7 million (US$6,823.1 million). As at 30 June 2016, the Group's five largest borrowers (including groups of individuals and companies) accounted for approximately HK$22,147.3 million (US$2,857.7 million) with the largest borrower accounting for HK$6,300.6 million (US$813.0 million) or 19.4 per cent. of the Group's capital base. The non-performance of loans held by one or more of these customers could have a material adverse effect on the Group's business, financial condition or results of operations.

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

The Group's funding requirements are primarily met through short-term funding sources, primarily in the form of customer deposits, inter-bank deposits, certificates of deposit and shareholders' funds. As at 30 June 2016, 89.2 per cent. of the Group's customer deposits had a remaining maturity of three months or less. Historically, a substantial portion of such customer deposits have been rolled over upon maturity. However, no assurance can be given that this pattern will continue. If a substantial number of depositors fail to roll over deposited funds upon maturity, the Group's liquidity position would be adversely affected and it may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than the current level of deposits.

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

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

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

The Bank's results of operations may be negatively impacted by its impaired loans if asset deterioration in general does not stabilise. 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 2016, the total amount of the Bank's impaired loans was HK$1,507.7 million (US$194.5 million). The Bank's impairment allowances on loans and advances amounted to HK$632.6 million (US$81.6 million) as at 30 June 2016, covering 42.0 per cent. of its total impaired loans as at the same date.

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

The 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 2016, the number of outstanding claims and complaints to which the Bank is party has been greatly reduced as compared to that as at 31 October 2008. 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 potential litigation and claims to have a material adverse impact on the Group's financial position.

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

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

CITIC is the ultimate controlling shareholder of the Bank

The Bank is a wholly-owned subsidiary of 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 president of CNCB. See "*Management*". Although to date the Bank has been managed independently, there can be no assurance that the Bank will maintain its independence in the event of a conflict of interests with CITIC and CNCB.

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

The 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 2016, the Group had US dollar denominated assets of approximately HK$115,395.2 million (US$14,889.7 million) and US dollar denominated liabilities of approximately HK$112,812.0 million (US$14,556.4 million), representing approximately 39.0 per cent. and approximately 42.0 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 Capital Securities

The Capital Securities may not be a suitable investment for all investors.

Each potential investor in the Capital Securities 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 Capital Securities, the merits and risks of investing in the Capital Securities 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 Capital Securities 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 Capital Securities, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Capital Securities 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 Capital Securities are complex financial instruments. The treatment of the Capital Securities, including in respect of tax, remains unclear. A potential investor should not invest in the Capital Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Capital Securities will perform under changing conditions, including the effects of inflation, the resulting effects on the value of the Capital Securities and the impact this investment will have on the potential investor's overall investment portfolio.

The Capital Securities are perpetual securities and investors have no right to require redemption.

The Capital Securities are perpetual and have no maturity date. Securityholders have no ability to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (if then required) to the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

This means that Securityholders have no ability to cash in their investment, except if the Issuer exercises its right to redeem the Capital Securities or by selling their Capital Securities. However, there can be no guarantee that the Issuer will be able to meet the conditions for redemption of Capital Securities. Securityholders who wish to sell their Capital Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Capital Securities.

In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Capital Securities may be redeemed at the relevant redemption amount, as more particularly described in the Conditions. Also, if any Non-Viability Event occurs, as more fully described in "*– The Capital Securities may be subject to Non-Viability Loss Absorption provisions*", Securityholders may lose up to the full principal amount of the Capital Securities.

There can be no assurance that Securityholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

The Issuer's obligations under the Capital Securities are subordinated.

The Issuer's obligations under the Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* with Parity Obligations. Subject, *inter alia*, as discussed under "*– The Capital Securities may be subject to Non-Viability Loss Absorption 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 (as defined in Condition 3.3(a)), the rights of the Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities 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 3.3 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 Capital Securities 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 Capital Securities. The Capital Securities 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 Capital Securities.

The Capital Securities may be subject to Non-Viability Loss Absorption 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.

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 Distribution in respect of, each Capital Security (in each case in whole or in part). See "Terms and Conditions of the Capital Securities – Distribution – Non-Viability Loss Absorption". The notification of a Non-Viability Event is at the discretion of the Monetary Authority and 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.

Securityholders should note that any amount that is written down upon the occurrence of a Non-Viability Event in accordance with the Conditions is permanent and will not be restored under any circumstances, even if the relevant Non-Viability Event has ceased. In addition, a Non-Viability Event may occur on more than one occasion and each Capital Security may be written down on more than one occasion. As the Distribution

Rate is calculated on the basis of the principal amount as adjusted following the occurrence of a Non-Viability Event, in the event that such principal amount is permanently reduced by the relevant Write-off, Securityholders will receive less Distributions on their Capital Securities. In addition, upon the occurrence of a Non-Viability Event, Securityholders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.

The application of a non-viability loss absorption feature similar to Condition 6C has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

Payments of Distribution are discretionary and Distributions are non-cumulative.

Payment of Distributions on any Distribution Payment Date is at the sole discretion of the Issuer. Subject to the Conditions, the Issuer may elect to or, in certain cases, be required to cancel any Distribution on any Distribution Payment Date. The Issuer may make such election for any reason. In addition, the Issuer will not be obliged to pay, and will not pay, any Distribution upon the occurrence of a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event. Cancelled Distributions will not be reinstated and will not constitute an event of default.

In addition, Distributions would only be paid out of such amounts for the time being available to the Issuer for distribution in compliance with section 297 of the Companies Ordinance as at the Issuer's latest audited balance sheet, and subject to certain capital conservation requirements as applicable to the Issuer. As at the date of this Supplement, pursuant to section 297(1) of the Companies Ordinance, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance, the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

Any Distributions which are not paid on the applicable Distribution Payment Date following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off shall not accumulate or be payable at any time thereafter, whether or not funds are or subsequently become available. Securityholders will have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of the Issuer or otherwise. Therefore, any Distributions not paid following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off will be lost and the Issuer will have no obligation to make payment of such Distributions or to pay interest thereon.

If Distributions are not paid for whatever reason, the Capital Securities may trade at a lower price. If a Securityholder sells his Capital Securities during such a period, he may not receive the same return on investment as a Securityholder who continues to hold his Capital Securities until Distributions are resumed.

There are limited remedies for non-payment under the Capital Securities.

Any scheduled Distribution will not be due if the Issuer elects not to pay that Distribution pursuant to the Conditions. 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 Distributions on any of the Capital Securities has become due and such failure continues for a period of 14 days in the case of Distributions or seven business days in the case of principal; 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 Securityholders for recovery of amounts in respect of the Capital Securities following the occurrence of a payment default after any sum becomes due in respect of the Capital Securities 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 Capital Securities. In such a winding-up, the claims of the

Securityholder 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 3.3.

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

In certain circumstances (including, without limitation, as referred to in Condition 11.2A and Condition 11.3), the Trustee may request the Securityholders to provide indemnity and/or security and/or funds to its satisfaction before it takes action on behalf of the Securityholders. 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 Capital Securities.

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 Capital Securities, 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 Capital Securities). The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a dissolution or winding-up and/or may increase the likelihood of a cancellation of Distributions under the Capital Securities. 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 Capital Securities and/or the ability of Securityholders to sell their Capital Securities.

The Hong Kong "Resolution Regime".

In early 2014, the Hong Kong government launched the initial stage of a public consultation on establishing a "resolution regime" for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. A consultation response paper dated 9 October 2015 (the **Response Paper**) was published concluding the two consultations and summarising the key comments received and the authorities' responses and proposals in relation to those comments. The Response Paper also discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 20 16) on 30 June 2016 but has not yet commenced operation as at the date of this Offering Circular. The Financial Institutions (Resolution) Ordinance will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Hong Kong Government Gazette.

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

Circular, Noteholders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

Additional Considerations

OECD's Common Reporting Standard

The Organisation for Economic Co-operation and Development (the **OECD**) has developed a draft common reporting standard (**CRS**) and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS financial institutions will be required to identify and report the tax residence status of customers in 101 countries that have endorsed the plans, of which 54 (including European Union Member States) have committed to implement the CRS with first information exchanges expected in 2017. The remaining 47 countries have committed to implement the CRS on a slower timetable with first information exchanges for these countries expected in 2018.

The adoption of CRS in the PRC and Hong Kong will be effective from 1 January 2017. PRC and Hong Kong financial institutions may begin collecting tax residency information from their account holders as early as 1 January 2017 and may report information on reportable account holders in 2018. The increased due diligence of customer information and the reporting of information to the tax authorities will increase operational and compliance costs for banks, including the Group. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the Terms and Conditions of the Capital Securities (subject to completion and modification and excluding italicised text) will be endorsed on each of the Capital Securities in definition form. The numbering and title of the following Terms and Conditions of the Capital Securities follow the numbering of the Terms and Conditions of the Notes as set out in the Offering Circular dated 17 August 2016.

The U.S.$500,000,000 4.250 per cent. undated non-cumulative subordinated additional Tier 1 capital securities (the **Capital Securities**) of China CITIC Bank International Limited 中信銀行（國際）有限公司 (the **Issuer**) are constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 30 November 2007 made between the Issuer and Citibank, N.A., London Branch (the **Trustee**, which expression shall include any successor as Trustee).

The Capital Securities have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 30 November 2007 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

For the purposes of the Trust Deed, the Agency Agreement and the Global Certificate, these Capital Securities are “Undated Subordinated Notes”.

Any reference to **Securityholders** or **holders** in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Note, be construed as provided below.

The Trustee acts for the benefit of the Securityholders in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents. The Securityholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Pricing Supplement which are applicable to them. The statements in these Terms and Conditions (**Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed and the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Conditions, the Conditions will prevail. The terms and conditions of the Notes as set out in the Offering Circular dated 17 August 2016 shall be deemed to be replaced by these Conditions for the purposes of the Capital Securities.

1 FORM, DENOMINATION AND TITLE

Condition 1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

1.1 Form and Denomination

The Capital Securities are issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof (referred to as the **principal amount** of a Capital Security). The principal amount of a Capital Security is subject to adjustment following the occurrence of a Non-Viability Event (as defined in Condition 6C) in accordance with Condition 6C and references in the Conditions to the principal amount of a Capital Security shall mean the **principal amount** of a Capital Security as so adjusted. A certificate (each a **Certificate**) will be issued to each Securityholder in respect of its registered holding of Capital Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Issuer will procure to be kept by the Registrar and at the office of the Issuer.

The Capital Securities are not issuable in bearer form.

1.2 Title

Title to the Capital Securities passes only by registration in the register of Securityholders. The Securityholder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Securityholder.

2 TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Note

Condition 2.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Transfers of beneficial interests in Capital Securities represented by a global note in registered form (**Registered Global Note**) will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing system acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for definitive Capital Securities in registered form (**Definitive Registered Notes**) or for a beneficial interest in another Registered Global Note only in the denomination set out in Condition 1.1 and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear or Clearstream, Luxembourg shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream, Luxembourg or to a successor if Euroclear or Clearstream, Luxembourg or such successor's nominee.

2.2 Transfers of Definitive Registered Notes

Condition 2.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the denomination set out in Condition 1.1). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

Condition 2.3 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

2.4 Cost of Registration

Condition 2.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

2.5 Closed Periods

Condition 2.5 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

No Securityholder may require the transfer of a Capital Security to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or Distributions in respect of the Capital Securities or (ii) during the period commencing on the date of the Non-Viability Event Notice (as defined in Condition 6C below) and ending on (and including) the close of business in Hong Kong on the effective date of the related Write-off.

2.6 Exchanges and transfers of Definitive Registered Notes generally

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

3 STATUS OF THE NOTES

3.1 Status Of Senior Notes

Condition 3.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

3.2 Status of the Subordinated Notes

Condition 3.2 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 3.3 shall be inserted after Condition 3.2:

3.3 Status of the Capital Securities

(a) Provision relating to the Capital Securities

The Capital Securities 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 Securityholders 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 Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities will 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), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (y) *pari passu* in right of payment to and of all claims of Parity Obligations; and (z) senior in right of payment to and of all claims of Junior Obligations in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Securityholders or the Trustee to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Securityholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

For the purposes of these Conditions:

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

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 Capital Securities by operation of law or contract.

Monetary Authority means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66 of the Laws of Hong Kong) or any successor thereto or such other authority having primary bank supervisory authority with respect to the Issuer.

Parity Obligation means any instrument or other obligation issued, entered into, or guaranteed by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or that ranks or is expressed to rank pari passu with the Capital Securities by operation of law or contract.

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 Capital Securities.

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 Securityholders of the Capital Securities. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

Tier 2 Capital Securities means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract.

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

(b) Set-off

Subject to applicable law, no Securityholder 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 Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Securityholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding (as defined in Condition 11.2A) in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Capital Securities, other than in accordance with this Condition 3.3, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the winding up of the Issuer for distribution and each Securityholder, by virtue of becoming a Securityholder or any Capital Security, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsubordinated creditors of the Issuer for good consideration.

4 NEGATIVE PLEDGE (SENIOR NOTES ONLY)

Condition 4 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Conditions 4A shall be inserted after Condition 4:

4A REPORTING COVENANTS

In relation to each Tranche of Notes, the Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC (**NDRC**) the requisite information and documents within 10 PRC Business Days (as defined below) after the relevant Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015] 2044 號））issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the **NDRC Post-issue Filing**).

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

For the purposes of this Condition:

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

5 REDENOMINATION

Condition 5 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

6 INTEREST

Condition 6 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Conditions 6A, 6B and 6C shall be inserted after Condition 6:

6A DISTRIBUTION

(a) *Non-Cumulative Distribution*

Subject to Condition 6B below, the Capital Securities confer a right to receive distributions (each a **Distribution**) on the principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 6C) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 11 April and 11 October in each year (each a **Distribution Payment Date**).

Distributions will not be cumulative and Distributions which are not paid in accordance with these Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer. Unless otherwise provided in these Conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon surrender of the Certificate representing such Capital Security, payment of principal is improperly withheld or refused. In such event Distribution shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such Capital Security have been paid; and (b) five days after the date on which the full amount of moneys payable in respect of such Capital Security has been received by the Principal Paying Agent and notice to that effect has been given to the Securityholders in accordance with Condition 15.

No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to Condition 6A and Condition 6B below. Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

(b) *Distribution Rate*

The rate of distribution (the **Distribution Rate**) applicable to the Capital Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, 11 October 2021 (the **First Call Date**), 4.250 per cent. per annum;

(ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate.

For the purposes of these Conditions:

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

Calculation Agent means the Principal Paying Agent and shall include any successor as calculation agent.

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, in relation to a Reset Interest Period, the Calculation Business Day preceding the Distribution Reset Date on which such Reset Interest Period commences.

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.

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

Distribution Determination Date means the day falling two business days prior to a Distribution Payment Date.

Distributable Reserves means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the Issuer's latest audited balance sheet, and subject to the Monetary Authority's then current capital conservation requirements as applicable to the Issuer on the relevant Distribution Payment Date (the **Available Amount**); provided that if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer's latest audited balance sheet and is insufficient to pay the Distributions and any payments on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distribution mean the Available Amount as set forth in such certificate.

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap.622), the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 *of the Companies Ordinance (Cap.622), the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganization of capital.*

Distribution Reset Date means the First Call Date and each anniversary falling five years thereafter.

Reference Treasury Dealer means each of the three nationally recognised investment banking firms selected by the Calculation Agent 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 p.m. New York City time, on such Calculation Date.

Reset Distribution Rate means, in relation to a Reset Interest Period, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate (as determined as set out below) and (b) the Spread.

Reset Interest Period means the period from, and including, a Distribution Reset Date to, but excluding, the immediately following Distribution Reset Date.

Spread means 3.107 per cent. per annum.

U.S. Treasury Rate means the rate in percentage per annum notified by the Calculation Agent to the Issuer and the Securityholders 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 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 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.

(c) *Calculation of Distribution and Relevant Reset Distribution Rate*

The Calculation Agent will calculate the amount of Distribution in respect of any period by applying the applicable Distribution Rate to the Calculation Amount. If Distribution is required to be paid in respect of a Capital Security on any date other than the Distribution Payment Date, it shall be calculated by applying the applicable Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Capital Security divided by the Calculation Amount, where **Calculation Amount** means U.S.$1,000, subject to adjustment following occurrence of a Non-Viability Event, and **Day Count Fraction** means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

The Calculation Agent will, on the Calculation Date prior to each Distribution Reset Date, calculate the applicable Reset Distribution Rate payable in respect of each Capital Security. The Calculation Agent will cause the Distribution and applicable Reset Distribution Rate determined by it to be promptly notified to the Principal Paying Agent. Notice thereof shall also promptly be given by the Calculation Agent to the Issuer, the Trustee and the Registrar.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6A by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Securityholders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) *Publication of Relevant Reset Distribution Rate*

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Securityholders as soon as practicable in accordance with Condition 15 after determination thereof.

(e) *Determination or Calculation by Successor Calculation Agent*

If the Calculation Agent does not at any time for any reason so determine the applicable Reset Distribution Rate, the Issuer shall as soon as practicable appoint a reputable financial institution of good standing as a successor calculation agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the successor calculation agent shall apply the foregoing provisions of this Condition 6A, with any necessary consequential amendments, to the extent that, in the opinion of the successor calculation agent, it can do so and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

6B Distribution Restrictions

(a) *Optional Distribution Cancellation Event*

Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distribution, in whole or in part, by giving a notice to the Trustee signed by two Directors of the Issuer, which shall be conclusive and binding on the Securityholders (such notice, a **Distribution Cancellation Notice**) of such election to the Securityholders in accordance with Condition 15, the Trustee and the Agents at least 10 Hong Kong Business Days prior to the relevant Distribution Payment Date. The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 6B and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

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.

(b) *Mandatory Distribution Cancellation Event*

Notwithstanding that a Distribution Cancellation Notice has not been given, the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, if and to the extent that:

(i) the Distribution scheduled to be paid together with any dividends, distributions or other payments scheduled to be paid or made during the Issuer's then current fiscal year on any Parity Obligations or any instruments which effectively rank *pari passu* with any Parity

Obligations shall exceed Distributable Reserves as at such Distribution Determination Date; or

(ii) the Monetary Authority so directs the Issuer to cancel such Distribution (in whole or in part) or applicable Hong Kong banking regulations or other requirements of the Monetary Authority prevent the payment in full of dividends or other distributions when due on Parity Obligations (a **Mandatory Distribution Cancellation Event**).

The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with this Condition 6B(b) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up or otherwise.

(c) *Distributable Reserves*

Any Distribution may only be paid out of Distributable Reserves.

(d) *Dividend Stopper*

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of this Condition 6B, the Issuer shall not:

(i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or

(ii) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to such subsequent Distribution Payment Date) has been paid in full (I) to Securityholders or (II) irrevocably to a designated third party trust account for the benefit of the Securityholders pending payment by the trustee thereof to the Securityholders on such subsequent Distribution Payment Date, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution.

(e) *No default*

Notwithstanding any other provision in these Conditions, the cancellation or non-payment of any Distribution in accordance with this Condition 6B shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 11.2A) on the part of the Issuer.

6C 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 Securityholders of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Capital Securities 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).

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 Capital Securities.

Any Series of Capital Securities may be subject to one or more Write-offs in part (as the case may be), except where such Series of Capital Securities has been Written-off in its entirety. Any references in the Conditions to principal in respect of the Capital Securities shall thereafter refer to the principal amount of the Capital Securities reduced by any applicable Write-off(s).

Once the principal amount of, and any accrued but unpaid Distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

For the purposes of this Condition 6C:

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 Securityholders of the Capital Securities, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state in reasonable detail the nature of the relevant Non Viability Event and the Non-Viability Event Write-off Amount per Capital Security and each other Subordinated Capital Security.

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 full amount of the Capital Securities will be Written-off 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 within 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 Capital Security will be calculated based on a percentage of the principal amount of that Capital Security.

6D Hong Kong Bail-in Power

Notwithstanding any other term of the Capital Securities, including without limitation Condition 6C, or any other agreement or arrangement, each Securityholder and the Trustee shall be subject, and shall be deemed to agree and acknowledge that they are each subject, to the exercise of any Hong Kong Bail-in 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 Distributions on, the Capital Securities;

(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities 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 Capital Securities; and

(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions 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 Distributions shall include payments of principal and Distributions 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 Bail-in Power. The rights of the Securityholders and the Trustee under the Capital Securities 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 Bail-in Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Capital Securities or payment of Distributions on the Capital Securities shall become due and payable or be paid after the exercise of any Hong Kong Bail-in 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 Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities, 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 Bail-in Power to the Securityholders in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, 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 Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute an Event of Default under Condition 11.2A.

The Financial Institutions (Resolution) Ordinance (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 yet to become effective and will commence operation on a date to be appointed by the Secretary for Financial Services and the Treasury of the HKSAR Government pending the Legislative Council's passing of certain of the regulations to be made as subsidiary legislation under the Ordinance. It is expected that all licensed banks in Hong Kong will be subject to such legislation when it comes into effect.*

For the purposes of these Conditions:

Hong Kong Bail-in Power means any power which may exist from time to time under the Ordinance, or any other laws, regulations, rules or requirements relating to the resolution of 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, 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.

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

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

Subsidiary 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 or (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.

7 PAYMENTS

7.1 Method of payment

Condition 7.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Payments in U.S. dollars will be made by credit or transfer to an account in U.S. dollar maintained by the payee with, or at the option of the payee, by a cheque in U.S. dollar drawn on, a bank in the New York City.

7.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Condition 7.2 of the Terms and Conditions of the Notes does not apply to the Capital Securities.

7.3 Payments in respect of Bearer Global Notes

Condition 7.3 of the Terms and Conditions of the Notes does not apply to the Capital Securities.

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

Condition 7.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Payments of principal in respect of each Definitive Registered Note and each Registered Global Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered Note or Registered Global Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Capital Security appearing in the register of holders of the Capital Securities in registered form maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Capital Securities held by a holder is less than US$250,000, payment will instead be made by a cheque in U.S. dollar drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means a bank in the New York City.

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

Holders of Capital Securities in registered form will not be entitled to any Distribution or other payment for any delay in receiving any amount due in respect of any Capital Security in registered form as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holder by the Registrar in respect of any payments of principal or Distribution in respect of Capital Securities in registered form.

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

7.5 General provisions applicable to payments

Condition 7.5 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The holder of a Capital Security represented by a global note (**Global Note**) shall be the only person(s) entitled to receive payments in respect of Capital Securities represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.6 Payment Day

Condition 7.6 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

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

(i) in the case of Capital Securities in definitive form only the relevant place of presentation;

(ii) London; and

(b) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the New York City.

7.7 Interpretation of principal and interest

Condition 7.7 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

7.8 Payments Subject to Fiscal and Other Laws

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

8 REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Condition 8.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.1A shall be inserted after Condition 8.1:

8.1A No Fixed Redemption Date

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with this Condition.

8.2 Redemption for tax reasons

Condition 8.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject to Condition 8.12A, the Capital Securities 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 and the Principal Paying Agent and, in accordance with Condition 15, the Securityholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which an agreement is reached to issue the Capital Securities and such change or amendment was not foreseeable at the time of such agreement and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a **Withholding Tax Event**); provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Capital Securities then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Distribution Payment Date and 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 8.12A; 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 Securityholders.

Capital Securities redeemed pursuant to this Condition 8.2 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 6C.

The following Condition 8.2A shall be inserted after Condition 8.2:

8.2A Redemption for tax deduction reasons

Subject to Condition 8.12A, the Capital Securities 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 Securityholders (which notice shall be irrevocable, subject to Condition 6C, 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 Distribution payable on the Capital Securities, 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 Capital Securities 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 8.12A 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 Distribution payable on the

Capital Securities 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 Capital Securities.

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 8.12A 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 Securityholders.

Capital Securities redeemed pursuant to this Condition 8.2A 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 6C.

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

Condition 8.3 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.3A shall be inserted after Condition 8.3:

8.3A Redemption of the Capital Securities for regulatory reasons

Subject to Condition 8.12A, the Capital Securities 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 and the Principal Paying Agent and, in accordance with Condition 15, the Securityholders (which notice shall be irrevocable) following the occurrence of a Capital Event.

For the purposes of this Condition 8.3A, a **Capital Event** occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 8.3A that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 Capital (or equivalent) of the Issuer and/or (b) the Capital Securities cease to be included in the calculation of the Issuer's capital adequacy ratio, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap.155) of Hong Kong, Banking (Capital) Rules (Cap. 155L), Banking (Capital) (Amendment) Rules 2012, or any successor legislation, or any statutory guidelines issued by the Monetary Authority in relation thereto and such change or amendment was not foreseeable at the time of the issuance of the Capital Securities, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 8.3A, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred and (ii) a copy of the written consent of the Monetary Authority; 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 Securityholders.

Capital Securities redeemed pursuant to this Condition 8.3A 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 6C.

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

Condition 8.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The Issuer may, having given:

(a) not less than 15 nor more than 45 days' notice to the Securityholders in accordance with Condition 15; and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all but not some only of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at the 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 6C.

For the avoidance of doubt, the Issuer does not provide any undertaking that it will call the Capital Securities at any time.

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

Condition 8.5 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.6 Early Redemption Amounts

Condition 8.6 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.7 Instalments

Condition 8.7 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.8 Partly Paid Notes

Condition 8.8 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.9 Purchases

Condition 8.9 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.10 Cancellation

Condition 8.10 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.11 Late payment on Zero Coupon Notes

Condition 8.11 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.12 Conditions for Redemption and Purchase in respect of Subordinated Notes

Condition 8.12 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.12A shall be inserted after Condition 8.12:

8.12A Conditions for Redemption and Purchase in respect of the Capital Securities

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 11.2A) and the Issuer or any of its Subsidiaries shall not purchase any of the Capital Securities 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 Capital Securities to constitute Additional Tier 1 Capital (or equivalent) of the Issuer for the purposes of, and as defined in, the Banking Ordinance (Cap. 155) of Hong Kong, or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Capital Securities set out in this Condition 8.12A 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 Capital Securities in a purely nominee capacity.

9 TAXATION

Condition 9 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

(a) to on behalf of, a holder who is liable to the Taxes in respect of such Capital Security by reason of his having some connection with Hong Kong other than the mere holding of such Capital Security; or

(b) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day.

As used in these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, the Trustee or the Registrar on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Securityholders by the Issuer in accordance with Condition 15.

10 PRESCRIPTION

Condition 10 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Claims against the Issuer for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of Distribution) after the Relevant Date (as defined in Condition 9) therefor.

11 EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default relating to Senior Notes

Condition 11.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

11.2 Events of Default relating to Subordinated Notes

Condition 11.2 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 11.2A shall be inserted after Condition 11.2:

11.2A Events of Default and Winding-up Proceedings

If default is made in the payment of any amount of principal or Distribution in respect of the Capital Securities on the due date for payment thereof and such failure continues for a period of seven days in the case of principal or 14 days in the case of Distribution (each, an **Event of Default**) then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer. For the avoidance of doubt, no Distribution will be due and payable if such Distribution has been cancelled or is deemed cancelled (in each case, in whole or in part) in accordance with these Conditions. Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred for the non-payment of any Distribution that has been so cancelled or deemed cancelled.

If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Capital Securities to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C, without further action or formality.

In these Conditions:

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

11.3 Enforcement

Condition 11.3 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

(b) The Trustee shall not be bound to take action as referred to in Conditions 11.2A and 11.3(a) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Securityholders holding at least 25 per cent. in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution of the Securityholders and (ii) it shall have been indemnified and/or secured and/or put in funds to its satisfaction. No Securityholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

(c) Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 11.2A and Conditions 11.3(a) and (b) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Securityholders.

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

12 REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Condition 12 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 12A shall be inserted after Condition 12:

12A REPLACEMENT OF CAPITAL SECURITIES

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

13 PRINCIPAL PAYING AGENT, REGISTRAR, PAYING AND TRANSFER AGENTS

Condition 13 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

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

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Capital Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any law implementing the European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Securityholders in accordance with Condition 15.

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

14 EXCHANGE OF TALONS

Condition 14 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

15 NOTICES

Condition 15 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

Until such time as any definitive Capital Securities are issued, there may, so long as any Global Notes representing the Capital Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Securityholders of the Capital Securities and, in addition, for so long as any Capital Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Securityholder of the Capital Securities on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Securityholder shall be in writing and given by lodging the same, together (in the case of any Capital Security in definitive form) with the relative Capital Security or Capital Securities, with the Principal Paying Agent (in the case if Capital Securities in bearer form) or the Registrar (in the case of Capital Securities in registered form). Whilst any of the Capital Securities are represented by a Global Note, such notice may be given by any Securityholder of a Capital Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16 MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

Condition 16 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 16A shall be inserted after Condition 16:

16A MEETINGS OF SECURITYHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

16A.1 Meetings of Securityholders

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

16A.2 Modifications and Waivers

The Trustee may agree, without the consent of the Securityholders to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Capital Securities or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law. Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 15 as soon as practicable thereafter.

16A.3 Consolidation, Merger and Sale of Assets

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

(a) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer shall expressly assume by way of supplemental trust deed the due and punctual payment of the principal of, and Distribution on, the Capital Securities and the performance of the Capital Securities, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;

(b) immediately after giving effect to such transaction, no Event of Default with respect to the Capital Securities, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Capital Securities, shall have happened and be continuing;

(c) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by two Directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 16A.3 and that all conditions precedent relating to such transaction have been complied with; and

(d) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Capital Securities, issued any notice downgrading its credit rating for such Capital Securities or indicating that it intends to downgrade its credit rating for such Capital Securities.

16A.4 Exercise of Trustee's Powers etc

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

17 SUBSTITUTION

Condition 17 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

18 INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

18.1 Indemnification of the Trustee

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

18.2 Trustee Contracting with the Issuer

Condition 18.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

19 FURTHER ISSUES

Condition 19 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

20 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Condition 20 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

21 GOVERNING LAW AND SUBMISSION TO JURISDICTION

21.1 Governing law

Condition 21.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The Trust Deed, the Capital Securities, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.3(a) and the first paragraph of Clause 7.1(a) of the Trust Deed shall be governed by and construed in accordance with the laws of Hong Kong.

21.2 Submission to jurisdiction

Condition 21.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

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

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

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

21.3 Appointment of Process Agent

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

2.

FORM OF PRICING SUPPLEMENT

29 September 2016

This document is for distribution 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. **Investors should not purchase the Capital Securities in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Capital Securities 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 Capital Securities on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Capital Securities 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 however 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 SEHK 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.

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

Issue of U.S.$500,000,000 4.250 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the Capital Securities)
under the U.S.$2,000,000,000 Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the offering circular dated 17 August 2016 (the **Original Offering Circular**), the supplemental offering circular dated 29 September 2016 (the **Supplemental Offering Circular** and together with the Original Offering Circular, the **Offering Circular**). This document constitutes the Pricing Supplement relating to the issue of Capital Securities described herein. The detailed terms and conditions of the Capital Securities are set out in the Schedule hereto and form part of the Pricing Supplement.

This Pricing Supplement contains the final terms of the Capital Securities and must be read in conjunction with the Offering Circular and the Schedule hereto. In particular, investors in the Capital Securities should read the section titled "Investment Considerations" contained in the Original Offering Circular and the Supplemental Offering Circular, including but not limited to the risk factor titled “The Hong Kong “Resolution Regime”” and “The terms of Subordinated Notes may contain non-viability loss absorption provisions”, which apply to the issue of Capital Securities described herein.

1.	Issuer	China CITIC Bank International Limited 中信銀行（國際）有限公司
2.	(d) Series Number:	9

	(e) Tranche Number:	1
3.	Issue Date:	11 October 2016
4.	Net Proceeds:	Approximately U.S.$498,154,250
5.	(a) Status of the Capital Securities:	Subordinated
	(b) Date of Board approval for issuance of the Capital Securities obtained:	24 August 2016 and 22 September 2016
	(c) Date of regulatory approval for issuance of the Capital Securities obtained:	NDRC approval dated 16 September 2016 and Monetary Authority approval dated 22 September 2016
6.	Listing:	SEHK. It is expected that dealing in, and listing of, the Capital Securities on the SEHK will commence on or about 12 October 2016
7.	U.S. Selling Restrictions:	Reg. S Category 2; TEFRA not applicable
8.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
9.	Delivery:	Delivery against payment
10.	(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 CLSA Limited 中信里昂證券有限公司 Citigroup Global Markets Limited ICBC International Securities Limited 工銀國際證券有限公司 *Joint Bookrunners and Joint Lead Managers:* Australia and New Zealand Banking Group Limited 澳新銀行集團有限公司 Bank of Communications Co., Ltd. Hong Kong Branch CCB International Capital Limited 建銀國際金融有限公司 CNCB (Hong Kong) Capital Ltd. 信銀(香港)資本有限公司 The Hongkong and Shanghai Banking Corporation Limited Merrill Lynch International Mizuho Securities Asia Limited 瑞穗證券亞洲有限公司

	(b) Stabilising Manager(s) (if any):	Any of the Managers
11.	Additional Paying Agent(s) (if any):	Not Applicable
	ISIN:	XS1499209861
	Common Code:	149920986
12.	Ratings:	The Capital Securities to be issued have been rated “Ba2” by Moody’s

LISTING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Capital Securities described herein pursuant to the U.S.$2,000,000,000 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

SCHEDULE

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The text of the Terms and Conditions of the Capital Securities will be inserted in the Schedule of the Pricing Supplement.

CAPITALISATION

The following table sets forth the consolidated capitalisation of the Group as at 30 June 2016. The information as at 30 June 2016 has been derived from the unaudited condensed consolidated financial information of the Group as at 30 June 2016. This table should be read in conjunction with the unaudited condensed consolidated financial information of the Group as at 30 June 2016, including the notes thereto, incorporated by reference in the Offering Circular.

Short-term funding and long-term funding

	As at 30 June	
	2016	**2016**
	HK$	*US$*[(1)]
	(in millions)	
Short-term borrowings[(2)]**:**		
Deposits and balances of banks and financial institutions	6,798.3	877.2
Deposits of customers, short-term portion[(3)]	227,049.0	29,296.6
Certificates of deposits, short-term portion[(4)]	11,596.0	1,496.3
Total short-term liabilities	245,443.3	31,670.1
Capitalisations:		
Long-term borrowings[(5)]		
Deposits of customers, long-term portion[(3)]	144.0	18.6
Certificate of deposits, long-term portion[(4)]	1,335.9	172.4
Loan capital	8,922.0	1,151.2
Total long-term liabilities	10,401.9	1,342.2
Share capital[(6)]	9,366.3	1,208.6
Reserves	15,415.9	1,989.1
Shareholders' equity	24,782.2	3,197.7
Additional equity instruments	2,310.2	298.1
Total capitalisation[(7) (8)]	37,494.3	4,838.0

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 2016, deposits of customers (short-term and long-term) amounted to HK$227,193.0 million (US$29,315.2 million).

(4) As at 30 June 2016, certificates of deposits (short-term and long-term) amounted to HK$12,931.9 million (US$1,668.6 million).

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

(6) As at the date of this Supplement, the issued and fully paid share capital is HK$9,366.3 million (US$1,208.6 million).

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

(8) The Bank issued and allotted 1,800,000,000 ordinary shares at the consideration of HK$1.00 each to its immediate parent company, CITIC International Financial Holdings Limited, on 26 January 2016.

Save as disclosed above, there has been no material change in the consolidated capitalisation of the Bank since 30 June 2016.

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 wholly-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. 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 "China Bank of Choice" with the best international standards and capabilities.

As at the date of this Offering Circular, the Bank had a network of 34 branches in Hong Kong, and a branch each in Macau, New York, Los Angeles and Singapore. The Bank's wholly-owned subsidiary, HKCB Finance Limited (**HKCBF**), specialises in consumer credit and related services in Hong Kong while its PRC-incorporated wholly-owned subsidiary, CITIC Bank International (China) Limited (**CBI China**), is headquartered in Shenzhen with branches in Beijing and Shanghai.

The Bank entered into a sale and purchase agreement dated 26 May 2015 to sell its 100 per cent. equity interest in CBI China to CTBC Bank Co., Ltd. A supplemental agreement has been entered into between the Bank and CTBC Bank Co., Ltd to extend the deadline for completing the deal to May 2017. On 25 August 2016, a termination agreement was entered into between the parties to terminate the sale and purchase agreement.

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

On 23 December 2014, BBVA agreed to dispose of its 29.68 per cent. stake in CIFH to CNCB for HK$8,162 million and the transaction was completed on 27 August 2015. Following completion of the transaction, CNCB assumed full ownership of CIFH. The Bank believes it has the following competitive advantages:

- International management standards — the Bank is independently managed by a team of qualified international banking professionals who are committed to international standards, business excellence and corporate governance;
- Mainland Chinese parentage — the Bank offers depth of knowledge and market connectivity in the PRC through its strong ties with and support from CNCB and its ultimate parent, CITIC;
- One-stop cross-border financial solutions — the Bank has a business model structured strategically for offering effective and timely one-stop financial solutions to customers with cross-border banking and financial needs, and for capturing cross-border opportunities entailed by Hong Kong's role as an offshore RMB centre;

- Customer-centric culture — the Bank has a customer-centric culture with a focus on upholding 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 2016, the Group reported consolidated net profits of HK$1,189.3 million (US$153.5 million), down 3.8 per cent. as compared to the corresponding period of the previous year. As at 30 June 2016, the Group had consolidated total assets, total loans (including trade bills) and total customer deposits and certificates of deposit issued of HK$295.7 billion (US$38.2 billion), HK$176.2 billion (US$22.7 billion) and HK$240.1 billion (US$31.0 billion), respectively, and its capital adequacy ratio, loans to deposits ratio, loans to total assets ratio and average liquidity maintenance ratio were 16.4 per cent., 73.4 per cent., 59.6 per cent. and 65.5 per cent., respectively.

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

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

Personal & Business Banking Group

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

Wholesale and Cross-border Banking Group

WBG is strategically positioned to be a full-service banking partner for Greater China and international corporates seeking, or active in, cross-border businesses and investments in the PRC. Its target customers include local Hong Kong and PRC companies, multinational companies, public and privately-owned middle market companies, banks and non-bank financial institutions. It strives to offer these customers tailored and value-enhancing solutions including products and services such as syndicated loans, structured finance, project finance, trade finance, working capital finance, bridging finance, property development and investment finance, as well as global markets and insurance products. WBG's key business units include China and Cross-border Banking (**CBB**), Multinational and Cross-border Banking (**MCB**), Financial Institutions and Public Sector (**FI&PS**) and Structured Finance (**SF**).

Since June 2014, all overseas branches, including New York, Los Angeles, Singapore, and Macau have been merged into WBG. Under the new structure, WBG is responsible for the profit and loss as well as governance, operations and overall general management of all overseas branches of the Bank.

Treasury and Markets Group

TMG performs the dual function of managing the Bank's liquidity and risk exposures, and developing customer-driven trading and distribution capabilities for the Bank. One of TMG's principal roles lies in asset and liability management for the Bank. Under the oversight of the Asset and Liability Committee (**ALCO**), TMG's functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. TMG is also responsible for developing the Bank's customer-related treasury business. Apart from offering traditional liabilities hedging solutions, TMG also offers wealth management solutions to customers and works closely with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers.

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 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 both financial and non-financial businesses. Its financial business covers a full range of services including commercial banking, investment banking, trust, insurance, fund management and asset management. 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 the area of information technology infrastructure, and enhancement and development of products.

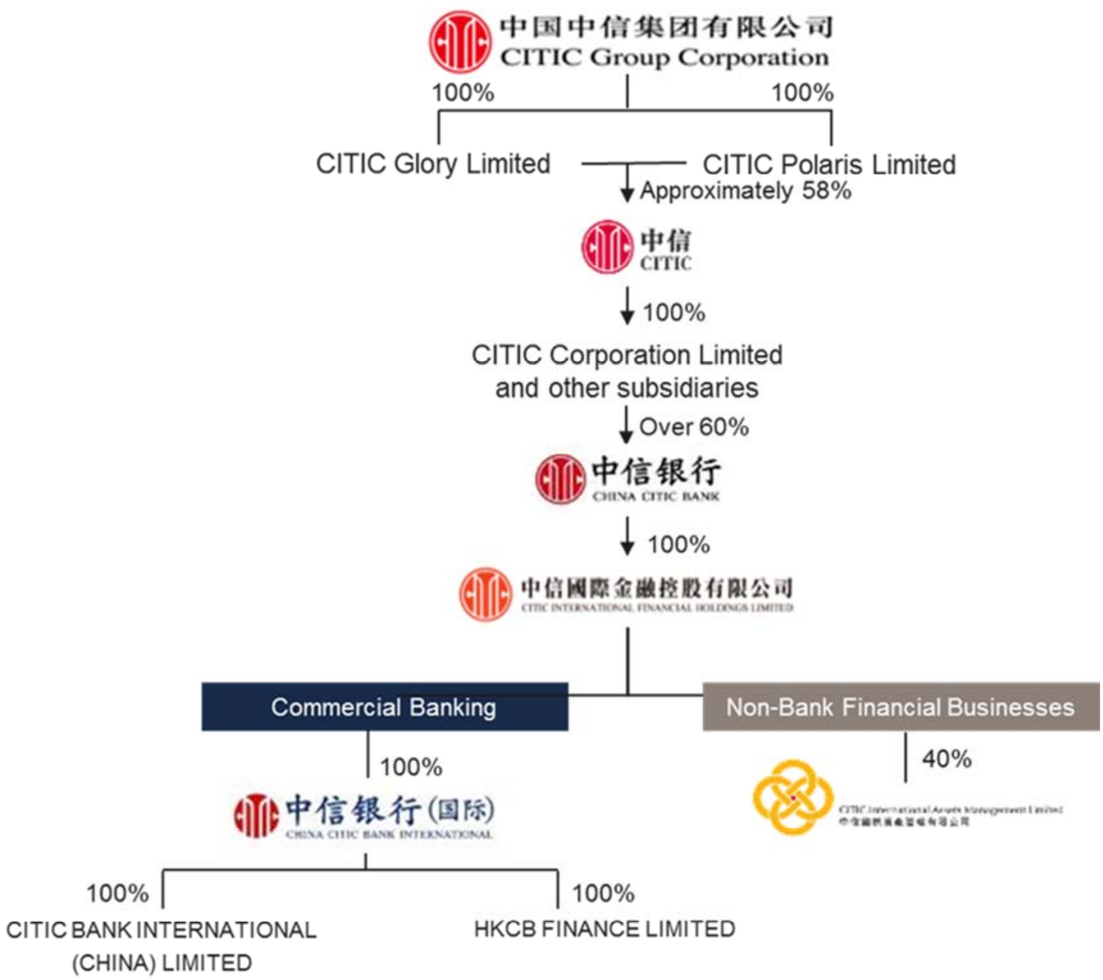
On 17 January 2002, CITIC Ka Wah Limited completed the acquisition of the entire issued share capital of HKCB for an aggregate consideration of HK$4.2 billion. On 25 November 2002, the merger of CITIC Ka Wah Bank Limited and HKCB was completed after CITIC Ka Wah Bank Limited transferred most of its commercial 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.

The following chart offers a simplified overview of the corporate structure of the Bank as at the date of this Offering Circular:



Strategy

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

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

In pursuit of its objective of becoming the "China Bank of Choice" in Asia 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 2016, CITIC*first* had built a client base of over 22,600 customers, with total client assets under management exceeding HK$90.6 billion (US$11.7 billion). See "*— Principal Business Activities — Personal & Business Banking Group — Business Portfolio — Wealth Management Services for Affluent Individuals*". The Bank aims to continue to focus on this market segment and will strive to offer a greater diversity of innovative wealth management products and services in order to expand its market share in this segment. Efforts will also be made to identify and serve the cross-border wealth management needs of the growing PRC affluent customer segment, as Hong Kong establishes itself as an offshore RMB centre with the support of the PRC government.

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

WBG aims to position itself as the preferred solutions provider for Greater China and overseas corporates seeking or active in cross-border businesses and investments in the region. WBG began focusing its efforts in 2005 to develop new markets, products and services, and repositioned its relationship management model. In order to further align with the Bank's business strategy and focus on building a successful cross-border bank with distinctive competitive advantages, the Wholesale Banking Group and China Banking Group were combined to form WBG in 2012. WBG continues to expand its scope of financial services and solutions to mid-sized and large corporate customers and expand the Bank's regional footprint by establishing branches and representative offices and building its regional customer base to capitalise on the trade and business flows between Greater China and the rest of the region. Since June 2014, WBG's overseas footprint covers New York, Los Angeles, Singapore and Macau.

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

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

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

Awards

The Bank has received various awards and accolades for its business, management and operational excellence in addition to its contribution to the Hong Kong community. In 2007, the Bank received a Silver Award in the Hong Kong Management Association Quality Award in recognition of its outstanding achievement in Total Quality Management through the implementation of the Malcolm 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 Retraining Board for another two years until March 2014. In 2013, the Bank received an additional award from *Capital Weekly* in recognition of its wealth management service. In 2014, the Bank won an Outstanding e-Banking Award in the Quamnet Outstanding Enterprise Awards. In the area of corporate social responsibility, the Bank was awarded a Gold Certificate by the Social Welfare Department's Volunteer Movement for the fifth consecutive year in 2012, was named Caring Company for the 10th consecutive year in the same year by the Hong Kong Council of Social Service (**HKCSS**), and was awarded a 10 Years Plus Caring Company Logo by HKCSS in 2014. The Bank continued to receive media plaudits and garnered several industry awards in 2015. These included a Metro Awards for Banking & Finance Corporations 2015 – Best Renminbi Investment Services Award from *Metro Daily* and *Metro Prosperity*, an Outstanding Private Banking - Diversified Business Award in the 2015 RMB Business Outstanding Awards by *Metro Finance*, *Metro Finance Digital* and *Wen Wei Po*, and a Quamnet Outstanding Enterprise Awards 2014 – Outstanding e-Banking award. The Bank was also named Company for Financial Planning Excellence of the Year 2015 at the SCMP/IFPHK Financial Planner Awards. In 2016, the Bank was presented a Hong Kong ICT Awards 2016: Best FinTech (Emerging Solutions) Certificate of Merit. The Bank was also named Metro Finance Hong Kong Leaders' Choice Awards 2016 – Excellent Brand of Private Banking and Quamnet Outstanding Enterprise Awards 2015 – Outstanding Wealth Management Bank.

Principal Business Activities

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

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

	For six months ended 30 June		
	2015	**2016**	**2016**
	HK$	*HK$*	*US$*
		(in millions)	
Personal and Business Banking..........................	974.6	1,101.8	142.2
Wholesale and Cross-border Banking................	1,579.7	1,807.6	233.2
Treasury & Markets	116.2	(42.4)	(5.5)
Unallocated[(1)]	25.5	(10.5)	(1.3)
Operating Income..	2,696.0	2,856.5	368.6

Note:

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

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

	For six months ended 30 June		
	2015	**2016**	**2016**
	HK$	*HK$*	*US$*
		(in millions)	
Personal and Business Banking............................	441.2	512.7	66.2
Wholesale and Cross-border Banking..................	1,295.4	1,426.4	184.1
Treasury & Markets	17.0	(295.7)	(38.2)
Unallocated[(1)(2)]	(276.4)	(223.9)	(28.9)
Total profit before taxation................................	1,477.2	1,419.5	183.2

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 2016 included revaluation loss on investment properties of HK$0.2 million (US$0.03 million) whilst profit before taxation from "Unallocated" for same period of 2015 included net gain 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 is still a key focus for PBG in 2016. PBG grew its retail deposits by 5.3 per cent. compared with year end 2015 to HK$108.0 billion (US$13.9 billion) as at 30 June 2016. In addition, PBG continued to make steady growth in mortgages, consumer finance and lending to small- and medium-sized enterprises (**SME**) in 2016. The outstanding retail lending balance reached HK$41.6 billion (US$5.4 billion) as at 30 June 2016, representing a 2.1 per cent. growth compared with year end 2015. Net interest income amounted to HK$777.9 million (US$100.4 million) for the six months ended 30 June 2016, representing a 22.5 per cent. increase over the same period in 2015. 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 six months ended 30 June 2016, non-interest income amounted to HK$323.9 million (US$41.8 million), representing a 4.6 per cent. decrease as compared to the same period in 2015.

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 recognition of the Bank's continuous breakthrough in the application of financial technology, the Hong Kong ICT Award 2016 bestowed the "Best Fintech (Emerging Solutions) Certificate of Merit" on the Bank's "WeChat Pay for Travel Insurance" and "Touch Balance" services.

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 30 June 2016, CITIC*first* had attracted a total of over 22,600 customers with total client assets under management of around HK$90.6 billion (US$11.7 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 22 dedicated CITIC*first* banking centres located within its branches in Sheung Wan, Des Voeux Road West, Central, Admiralty, CITIC Tower, Wanchai, Causeway Bay, Leighton Road and North Point in Hong Kong; Jordan, Tsim Sha Tsui, Ho Man Tin, Mongkok, Kowloon City, Mei Foo and Hoi Yuen Road in Kowloon; Tseung Kwan O, 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 branch network as well as its i-banking and call centre channels. Stock trading orders are passed on to the Bank's affiliate, CITIC Securities International Company Limited. 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.

The Bank offers online US stock trading services through its i-banking platform. All US stock trading orders are also executed by the Bank's affiliate, CITIC Securities International Company Limited.

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. Premier Estate Protector Series and La Vie), short-term endowment plans (e.g. Wise Choice series and Elite 5) (Golden Series)) 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 2.1 per cent. compared with year ended 2015 with an outstanding balance of retail loan balance of HK$41.6 billion (US$5.4 billion) as at 30 June 2016.

Insurance Services

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

Private Banking Business

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

Wholesale and Cross-border Banking Group

Overview

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

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

The four key business areas of WBG

*China & Cross-border Banking (**CBB**).* The CBB Group focuses on state-owned enterprises in Mainland China, existing core and strategic customers of CNCB with cross-border needs, privately-owned PRC enterprises who are leaders in their industries, and non-PRC companies which are predominantly doing business in Mainland China. These companies are primarily conglomerates or companies that operate in the manufacturing, trading, toll roads, power and property investment and development industries. Additionally, it also targets Mainland China-focused investment and private equity funds as customers.

*Multinational & Cross-border Banking (**MCB**).* MCB focuses on major Hong Kong corporates, multinationals and regional corporates with Asian business exposure especially in Hong Kong and Mainland

China, as well as large PRC privately-owned enterprises with international partners and active in overseas expansion and international trade. MCB offers banking facilities to public and privately-owned upper-tier and mid-cap companies, primarily in the manufacturing, trading, wholesale and logistic sectors with operations in Hong Kong and the Pearl River Delta region. MCB also places great emphasis on providing project and structured finance to the commercial real estate sector in Greater China and the region and real estate funds and investment trusts.

*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 capabilities of the Bank. The team has expertise in cross-border structured finance transactions and experience in various industries including banking, energy, property and funds management.

Strategic Collaboration with CNCB

As the Bank's main interface for collaboration with CNCB and other CITIC Group entities in the Mainland China market, the Group Co-operation office of WBG is responsible for driving the business and strategic collaborative efforts with CNCB. It will continue 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 new business cooperation initiatives have been successfully introduced, including RMB trade settlement programme, structured financing, pre-Initial Public Offering financing, offshore account opening, i-banking services and offshore bills operations and services**.**

Furthermore, to realise and maximise synergies under CITIC's Restructuring Strategy for its commercial banking businesses, the Bank and CNCB have commenced formal discussions and dedicated workgroups have been formed to systematically develop integrated product and services platforms for customers, and to build complementary competencies in customer resources, professional know-how, product range, service quality and risk management (See "*Principal Shareholders — CITIC Group*").

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

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

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

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

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

Treasury and Markets Group

Overview

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

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

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

Liquidity, Funding and Interest Rates Risk Management

Under the supervision of ALCO, TMG is responsible for managing the funding and liquidity of the Bank. It engages in inter-bank placing and borrowing, and fulfills the Bank's long-term funding requirements by issuing debt securities in both the local and international capital markets. Derivatives are used to swap assets or liabilities to fixed rate or floating rate exposure according to strategies set by ALCO. In addition to being able to issue Notes under the Programme as described in this Offering Circular, the Bank also has a HK$25.0 billion (US$3.2 billion) and a HK$2.0 billion (US$0.26 billion) certificates of deposit issuance facility that it utilises to secure longer term funding so as to reduce the mismatch between the Group's loan and deposit maturities. The Bank aims to structure its liability mix and strengthen its long-term sources of funds by issuing certificates of deposit at regular intervals. Through public syndication and placement, as at 30 June 2016, the Bank's outstanding certificates of deposit amounted to HK$12.9 billion (US$1.7 billion).

Another major function of TMG is to invest the surplus liquidity of the Bank under the supervision of ALCO. The interest rate sensitivity of the portfolio is set by ALCO. Surplus liquidity of the Bank is traditionally invested in high grade and liquid fixed income securities and primarily through the Bank's available-for-sale securities portfolio. As at 30 June 2016, this portfolio amounted to HK$55.09 billion (US$7.1 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 82.4 per cent. of the fixed income securities held by the Group as at 30 June 2016 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 2016, the Group owned properties with aggregate floor areas of approximately 37,555 square feet, 7,471 square feet and 9,959 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. In addition, as at 30 June 2016, the Group also leased properties with aggregate floor areas of approximately 171,908 square feet, 99,184 square feet and 21,774 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. These leased properties are used as offices, branches, staff quarters, business continuity sites and warehouses.

Outside of Hong Kong, as at 30 June 2016, the Group owned and leased approximately 12,742 square feet, 4,842 square feet, 7,600 square feet 8,900 square feet and 14,161 square feet in Shanghai, Macau, Los Angeles, New York and Singapore, respectively. As at 30 June 2016, the Group also owned several apartments in the PRC, which are vacant or used as staff quarters. As at 30 June 2016, CBI (China) leased approximately 11,259 square feet and 14,311 square feet in Beijing and Shanghai, respectively as branches and 18,292 square feet in Shenzhen as the headquarters.

Insurance

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

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

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

Systems and Controls

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

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

The Bank invests in technology to improve its operating efficiency, competitiveness and internal control environment.

Litigation

The Group is not currently involved in any material litigation or other adversarial proceedings 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 300 internet domain names in various jurisdictions for its current operations.

Employees

As at 30 June 2016, the Group, on a consolidated basis had a total of 1,974 employees as set forth in the following table.

	No. of Employees
PBG, WBG and TMG	1,020
Head office and operational support	682
Overseas (Mainland China, Macau, Singapore and the United States)	272
Total:	1,974

As at 30 June 2016, approximately 25 per cent. of the Group's employees, on a consolidated basis, performed supervisory and management functions, while the remaining 75 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 2.4 training days during the six months ended 30 June 2016, 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. Many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group.

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

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

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

Since 2000, many banks in Hong Kong, including the Bank, have lowered interest rates charged on new-home mortgage loans not guaranteed by the Hong Kong government. Despite a slight increase in such interest rates in 2008, competition in the mortgage loans market remains intense. In 2011, with interest rates at an extremely low level, a significant portion of new-home mortgage loans charged by banks in Hong Kong was HIBOR based. As at 31 December 2015, the standard rate the Bank charged on its new-home mortgage loans was 2.85 per cent. below the prime lending rate or 175 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 2016, 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 2016, the Group's total loans to customers were HK$176,161.0 million (US$22,730.5 million) which represented 59.6 per cent. of its total assets. Home mortgage loans and loans for property investment represented 21.5 per cent. of the Group's total loans to customers as at 30 June 2016.

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 2015			As at 30 June 2016		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK$ (in millions)	*US$ (in millions)*		*HK$ (in millions)*	*US$ (in millions)*	
Industrial, commercial and financial						
—Property development	13,160.3	1,698.1	7.7%	12,875.2	1,661.3	7.3%
—Property investment	19,535.9	2,520.8	11.5%	25,152.6	3,245.5	14.3%
—Financial concerns	6,742.8	870.1	4.0%	9,125.6	1,177.5	5.2%
—Stockbrokers	3,511.8	453.1	2.1%	3,266.5	421.5	1.9%
—Wholesale and retail trade	17,915.9	2,311.7	10.5%	17,331.8	2,236.4	9.8%
—Manufacturing	7,493.4	966.9	4.4%	8,831.9	1,139.6	5.0%
—Transport and transport equipment	3,492.2	450.6	2.1%	3,446.6	444.7	2.0%
—Recreational activities	954.1	123.1	0.6%	872.5	112.6	0.5%
—Information technology	14.7	1.9	0.0%	92.5	11.9	0.1%
—Others[(1)]	7,987.1	1,030.6	4.7%	10,894.9	1,405.8	6.2%
Individuals						
—Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	8.8	1.1	0.0%	8.2	1.1	0.0%
—Loans for the purchase of other residential properties	12,404.8	1,600.6	7.3%	12,709.2	1,639.9	7.2%
—Credit card advances	426.8	55.1	0.3%	416.1	53.7	0.2%
—Others[(2)]	7,850.7	1,013.0	4.6%	7,926.1	1,022.7	4.5%
Gross loans and advances for use in Hong Kong	101,499.3	13,096.7	59.8%	112,949.7	14,574.2	64.2%
Trade finance	11,061.5	1,427.3	6.5%	11,010.4	1,420.7	6.2%

	As at 31 December 2015			As at 30 June 2016		
	Gross loans and advances to customers		**Percentage of total**	**Gross loans and advances to customers**		**Percentage of total**
	HK$	*US$*		*HK$*	*US$*	
Gross loans and advances for use outside Hong Kong[(3)]	57,308.9	7,394.7	33.7%	52,200.9	6,735.6	29.6%
Gross loans and advances to customers	169,869.7	21,918.7	100.0%	176,161.0	22,730.5	100.0%

Notes:

(1) "Others" includes loans which are used to finance the general working capital of conglomerates including conglomerates in the hotel, retail, import and export, civil engineering, gas and electricity industries.

(2) "Others" includes personal loans, tax loans and loans for the purchase of commercial and industrial properties.

(3) This refers to loans to customers with a principal place of business outside Hong Kong.

Geographical concentration

A significant proportion of the Group's loans to customers are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or are guaranteed by entities domiciled in the PRC and thus have risk transferred to PRC country risk. As at 30 June 2016, Mainland China-related loans accounted for 29.8 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 2015			As at 30 June 2016		
	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.	86,650.2	11,180.7	51.0%	100,622.2	12,983.5	57.1%
Mainland China	54,285.3	7,004.5	32.0%	52,547.6	6,780.3	29.8%
United States............	2,506.9	323.5	1.5%	3,940.9	508.5	2.2%
Singapore............	12,325.3	1,590.4	7.2%	7,163.7	924.4	4.1%
Others.	14,102.0	1,819.6	8.3%	11,886.6	1,533.8	6.8%
Total............	169,869.7	21,918.7	100.0%	176,161.0	22,730.5	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 2016, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for HK$52,878.7 million (US$6,823.1 million). As at 30 June 2016, the Group's five largest borrowers (including groups of individuals and companies) accounted for HK$22,147.3 million (US$2,857.7 million) with the largest borrower accounting for HK$6,300.6 million (US$813.0 million) or 19.4 per cent. of the Group's capital base. As at 30 June 2016, 12.0 per cent. of the total loans to customers was represented by outstanding loans to individual borrowers of HK$21,059.6 million (US$2,717.4 million).

Loan analysis

A significant proportion of the Group's loans are advanced for the purchase of residential property. 11.8 per cent. and 11.2 per cent. of total loans to customers had a remaining maturity of more than five years as at 31 December 2015 and 30 June 2016, 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 2015			**As at 30 June 2016**		
	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	7,436.0	959.5	4.4%	8,233.1	1,062.3	4.7%
Three months or less but not repayable on demand.	37,800.8	4,877.5	22.2%	37,008.8	4,775.3	21.0%
One year or less but over three months	55,805.4	7,200.7	32.9%	56,146.9	7,244.8	31.9%
Five years or less but over one year	47,306.7	6,104.1	27.8%	52,919.5	6,828.3	30.0%
After five years	20,032.6	2,584.9	11.8%	19,795.3	2,554.2	11.2%
Undated[(1)]	1,488.2	192.0	0.9%	2,057.4	265.5	1.2%
Total:	169,869.7	21,918.7	100.0%	176,161.0	22,730.4	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 2.95 per cent. below the prime lending rate to 1.25 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 0.047 per cent. to 1.7 per cent. per month and for overdrafts may be as high as 3.0 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 2016, 46.2 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.

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

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

Credit Policies and Approval Procedures

Internal policies and procedures

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

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

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

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

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

For its corporate commercial loans and trade finance loans, the Bank has instituted an internal credit scoring system which grades the creditworthiness of a potential borrower based upon a set of expert judgment risk factors together with comprehensive financial analysis and scoring criteria. The credit scoring system comprise a 14-grade internal risk rating system. The credit score given to a potential borrower and related obligors will help determine whether the Bank will extend credit to such borrower, the size of the loan facility, the pricing on the loan and whether collateral will be required. See "*— Asset Quality — Loan Classification*".

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

Risk Management Group

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

Asset Quality

Overview

The Group's classified loans accounted for HK$1,507.7 million (US$194.5 million) as at 30 June 2016, representing 0.86 per cent. of the Group's total loans to customers.

The Group has managed its asset quality in a prudent manner in the face of the global financial crisis as triggered by the collapse of the US financial market since the second half of 2008. As a result of such efforts, the Group's impaired loan ratio decreased from 1.9 per cent. in 2008 to 0.47 per cent. in 2014 and subsequently increased to 0.86 per cent. as at 30 June 2016.

The Bank's residential mortgage delinquency ratio was 0.00 per cent. as at 30 June 2016, which was below the industry average of 0.04 per cent. as announced by the HKMA. As at the date of this Offering Circular, the Bank has a credit rating of "BBB" from Fitch Ratings and a credit rating "Baa1" from Moody's.

The Group's PRC exposure accounted for 29.80 per cent. of the Group's total loans to customers as at 30 June 2016. PRC-related non-performing loans as a percentage of the Group's total non-performing loans have been reduced from 37.4 per cent. as at 31 December 2008 to 7.7 per cent. as at 30 June 2016. The Group plans to expand its PRC lending business selectively and prudently by leveraging off the established network and relationships in the PRC of the CITIC Group. See "*— Credit Policies and Approval Procedures — Internal policies and procedures*".

The performance of the Hong Kong economy is heavily dependent on the property sector. The Group's property lending accounted for 28.8 per cent. of the Group's total loans to customers as at 30 June 2016. As a result, the Group's asset quality is closely correlated to the industry performance of the property markets. As at 30 June 2016, home mortgage loans accounted for HK$12,717.4 million (US$1,641.0 million) or 7.2 per cent. of the Group's total loans to customers. Home mortgage loans accounted for one of the largest segments of the Group's total loans to customers. See "*Risk Factors — Considerations relating to the Group — The Group has significant exposure to the Hong Kong property market*".

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

Loan classification

In 2005, the Group developed a judgment-based risk rating system which is used to rank borrowers of the Bank's wholesale banking portfolio based on their default risk. In 2011, these ratings were deployed into a new credit rating platform, with a facility rating being assessed separately. This borrower risk rating system has 14 grades (including three classified grades) and each grade is mapped to the probability of default of the borrowers. This model was developed to assess the creditworthiness of borrowers and output from the model will then be mapped to HKMA rating scales.

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 14 categories:

- Grades 1 to 10 — pass;
- Grade 11 — special mention; and
- Grades 12 to 14 — 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**). All corporate borrowers are mapped to the master rating scale based on their 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 12), doubtful (Grade 13) and loss (Grade 14). A key driver for determining a loan classification is the number of overdue days. For the WBG and PBG Business Banking portfolio, sub-standard loans are unsecured and partially secured loans overdue for 91 to 180 days and fully secured loans overdue for over 360 days, doubtful loans are unsecured and partially secured 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, Regardless of the security coverage, 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

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

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

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

Concerning unsecured personal credit exposures, both impaired and non-impaired are subject to collective impairment assessment. The collective assessment framework for personal credits takes into account the bankruptcy rate, decease rate and account migration rate. For secured personal credit exposures, the collective impairment assessment is conducted for non-impaired loans while the impaired loans are subject to individual assessment. It is the Group's policy to make full provisions for all unsecured amounts outstanding. Whenever the likelihood of recovery appears remote, impaired personal debts are written off.

Top ten non-performing loans

As at 30 June 2016, the Group's ten largest non-performing loans accounted for 0.81 per cent. of its total loans to customers and 94.8 per cent. of its gross non-performing loans to customers. As at 30 June 2016, the Group's exposure from its ten largest non-performing loans ranged from HK$17.0 million (US$2.2 million) to HK$887.7 million (US$114.5 million), and amounted to approximately HK$1,429.6 million (US$184.5 million) in the aggregate out of HK$1,507.7 million (US$194.5 million) of non-performing loans in total.

Recovery of non-performing and classified loans

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

RAM adopts a systematic and flexible approach towards the recovery of non-performing and classified loans through means such as enforcement of security, debt restructuring, asset swaps and settlement. In certain circumstances, particularly in relation to PRC-related loans, RAM may conduct asset-for-debt swaps and accept assets such as equity interests in PRC businesses and land for residential or commercial development in the PRC. Where appropriate, risks and problems associated with transfer of legal title are managed with the advice of PRC legal advisers.

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

The Group's classified loans are resolved on a case-by-case basis, subject to the approval of the NPL Committee on the restructured limits and recovery measures. Loans are generally considered for restructuring where there has been a deterioration in the financial position or repayment capability of a customer. For the six months ended 30 June 2016, the Group resolved a total of HK$413.4 million (US$53.3 million) of classified loans, as a result the total impaired loan was HK$1,507.7 million (US$194.5 million) as at 30 June 2016, equating to 0.86 per cent. of all loans. For the six months ended 30 June 2015, the Group resolved a total of HK$270.6 million (US$34.9 million) of classified loans, as a result the total impaired loan was HK$771.4 million (US$99.5 million) as at 30 June 2015, equating to 0.49 per cent. of all loans.

Asset and Liability Committee

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

ALCO regularly makes assessments and recommendations on issues that are likely to impact the Group's financial condition, including the management of interest rate risk, liquidity risk, capital, asset and liability mix and key strategic investments. ALCO meets on a bi-weekly basis 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 assets. Access to inter-bank borrowing is maintained through sufficient counterparty money market as well as repurchase facilities. Moreover, the Bank also solicits longer term funding through regular issuance of medium-term certificates of deposit.

The Chief Financial Officer of the Bank reports the Bank's liquidity position on a daily basis while TMG proactively manages the Bank's liquidity position by carrying out daily forecasts. The average liquidity maintenance ratio of the Bank was 65.5 per cent. and 61.8 per cent. for the six months ended 30 June 2016 and the year ended 31 December 2015, respectively, well above the statutory minimum ratio of 25 per cent.

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

Credit and Risk Management Committee

The CRMC was established in 2002 at the Board level of the Bank to oversee the Bank's risk management strategy, appetite/tolerance, profile and capital adequacy. It has to ensure that the risk management function of the Bank has adequate authority, stature, independence, management support and resources to perform its duties. The risks concerned primarily include credit, market, interest rate, liquidity, operational, reputation, legal and strategic risks. It is also responsible for approving matters relating to Internal Capital Adequacy Assessment Process, the Reverse Stress Testing methodology, and endorsing the Risk Appetite Statement and Recovery Planning documents before reporting to the Board for approval. 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 and ORMC. The CRMC comprises five Directors of the Bank, including two Independent Non-executive Directors.

Market Risk Committee

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

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

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

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

Internal Auditing

The Audit Department of the Bank has responsibility for the internal audit of its operations. Through regular audits of the Bank and its subsidiaries, the Audit Department 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 Audit Department 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 designated by the Board on a monthly basis. Such findings are also regularly 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 Department are respectively responsible for administering legal issues and regulatory compliance issues concerning the Bank's business. Both the Legal Department and the Compliance Department also respectively review new products and business proposals from the legal perspective and compliance perspective. Another key function of the Bank's Compliance Department 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 require that there shall be no fewer than eight directors (each a **Director**) unless and until otherwise determined by the shareholders of the Bank. Directors can be appointed at any time either by the shareholders or by the Board. Directors appointed by the Board shall hold office until the next annual general meeting and shall be eligible for re-election at that meeting. The Board also rotates its Directors. At each annual general meeting, all Directors are required to retire from office by rotation and are eligible at the same meeting for re-election.

The aggregate emoluments, consisting of fees, salaries, allowances and benefits in kind, pension contributions and bonuses, of the Directors for the six months ended 30 June 2016 was HK$21.8 million (US$2.8 million).

Board of Directors

The current Board comprises the following individuals:

Name	Age	Title
SUN Deshun..	57	Chairman
ZHANG Xiaowei	58	President & Chief Executive Officer
Margaret MAN	61	Deputy Chief Executive Officer
KAN NG Chau Yuk Helen	54	Alternate Chief Executive Officer
FANG Heying…………………………………….	50	Non-executive Director
ZHANG Qiang	53	Non-executive Director
GIL-TIENDA Rafael...	63	Independent Non-executive Director
TANG Shisheng...	59	Independent Non-executive Director
TSANG Yiu Keung Paul	62	Independent Non-executive Director
WANG Guoliang..	64	Independent Non-executive Director
WU Jiesi	64	Independent Non-executive Director

Mr. Sun Deshun

(Chairman)

Appointed Director of the Bank on 15 March 2013 and further elected Chairman effective on 15 May 2015. Mr. Sun is an Executive Director and President of CNCB. He has more than 30 years of experience in the banking industry in China. Before joining CNCB in 2011, Mr. Sun has 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 Center (Beijing) of The Industrial and Commercial Bank of China (ICBC) in various positions including Assistant President and Vice President of its Beijing Branch and General Manager of the Head Office Data Center (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 granted the title of "Senior Economist" by ICBC.

Mr. Zhang Xiaowei

(Executive Director, President & Chief Executive Officer)

Appointed Director and Chief Executive Officer of the Bank on 22 October 2012. Mr. Zhang is also Chairman of CBI China. A veteran banker with 31 years of experience in the banking industries in Mainland China and Hong Kong, Mr. Zhang was formerly a Non-executive Director of CNCB 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.

Ms. Margaret Man

(Executive Director, Deputy Chief Executive Officer and Group Head of Wholesale & Cross-border Banking)

Appointed Director and Deputy Chief Executive Officer of the Bank on 28 June 2012. Ms. Man is also Group Head of Wholesale and Cross-border Banking of the Bank, and Vice Chairman of CBI China. Ms. Man has over 30 years of experience in the banking and finance industry. She had held a number of senior positions including Division Chief of The People's Bank of China and Deputy Managing Director of China Venturetechno International Co Ltd. Ms. Man graduated from Shanxi Financial and Economics University with a Bachelor's Degree in Economics and further studied for a Master's Degree in Banking and Finance at the Graduate School of The People's Bank 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 Group of the Bank. She has 29 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. These have included the personal and consumer banking sectors. 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 across 33 geographic locations covering a global customer population in excess of 14 million. Mrs. Kan holds an Honours Degree in Management and Economics, and a Master's Degree in Law from The University of Hong Kong.

Mr. Fang Heying

(Non-executive Director)

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

Mr. Zhang Qiang

(Non-executive Director)

Appointed Director of the Bank on 15 April 2013. Mr. Zhang is Vice President of CNCB and Director of CNCB (Hong Kong) Investment Limited and CNCB (Hong Kong) Capital Limited. He joined CNCB in 1990 and has held various senior positions. Mr. Zhang has over 27 years of experience in China's banking industry. He graduated from Zhongnan University of Finance and Economics with a Bachelor's Degree in Economics and obtained a Master's Degree in Finance from Liaoning University. Mr. Zhang was granted the title of "Senior Economist" by CITIC.

Mr. Rafael Gil-Tienda

(Independent Non-executive Director)

Appointed Independent Non-executive Director and Chairman of the Credit & Risk Management Committee of the Bank on 20 October 2003. Mr. Gil-Tienda is Chairman of the Asia Pacific region and a member of the Senior Advisory Board of Oliver Wyman. He is also an Independent Non-executive Director of CIFH and Hong Kong Exchanges and Clearing Limited. Mr. Gil-Tienda was formerly with Standard Chartered Bank and Citibank and has over 27 years of banking experience. He obtained a Bachelor's Degree in Philosophy, Politics and Economics from the University of Oxford and a Master's Degree in Business Administration from the University of California, Berkeley.

Mr. Tang Shisheng

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 13 November 2013. Mr. Tang is Chairman of Hodojou Technology Co., Ltd., Executive Director of Beijing Sinosoft Co., Ltd., and Independent Director of Geo Jade Petroleum Corporation and Hunan TV & Broadcast Intermediary 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.

Mr. Tsang Yiu Keung Paul

(Independent Non-executive Director)

Appointed Independent Non-executive Director and Chairman of the Audit Committee of the Bank on 1 September 2004. Mr. Tsang is also an Independent Non-executive Director and Chairman of the Audit Committee of CIFH and two listed companies in Hong Kong, namely Guotai Junan International Holdings Limited and L. K. Technology Holdings Limited. Mr. Tsang was with KPMG for more than 27 years, where he was a senior banking partner until he retired from the firm on 31 March 2003. He graduated from Hong Kong Polytechnic (currently The Hong Kong Polytechnic University) with a Higher Diploma in Accounting. Mr. Tsang is a professional accountant and a Fellow Member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators.

Mr. Wang Guoliang

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 12 August 2016. Mr. Wang is a professor-level senior accountant and is currently Outside Director of State Grid Corporation of China and Independent Non-executive Director of China Taiping Insurance Group. Mr. Wang worked as Chief Accountant of China National Petroleum Corporation and was a Chairman of the 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. Mr. Wu is Chairman of Shenzhen Fuhaiyintao Asset Management Co., Ltd. He is also an Independent Non-executive Director of Beijing Enterprises Holdings Limited, China Taiping Insurance Holdings Company Limited and The Industrial and Commercial Bank of China (Asia) Limited, and Non-executive Director of Shenzhen Investment Limited and Silver Base Group Holdings Limited. Mr. Wu has extensive experience in corporate management, investment and finance. He holds a Doctor’s Degree in Economics from The Research Institution of The People’s Bank of China. Mr. Wu conducted post-doctorate research work in theoretical economics at Nankai University and was conferred a professorship qualification by Nankai University in 2001.

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, CIFH, the holding company of the Bank, is 100 per cent. owned by CNCB which, in turn, is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent. indirectly owned by CITIC.

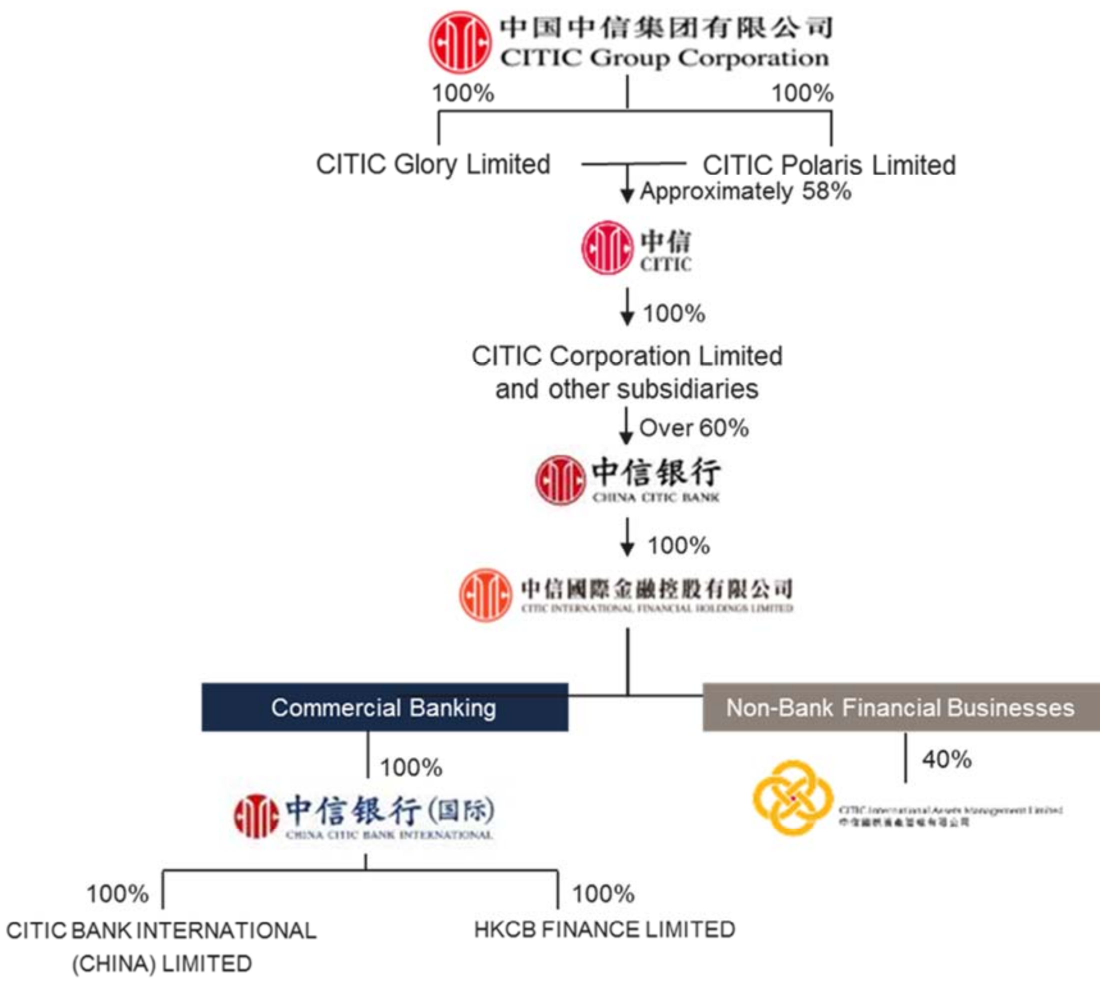
CITIC was approved by the PRC's State Council and established in 1979. Since its founding, CITIC has received the support of the PRC government. The late Mr. Rong Yiren, former Vice President of the PRC, was the first Chairman of CITIC. Since then, CITIC has grown into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including commercial banking, investment banking, trust, insurance, fund management and asset management and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction and machinery manufacturing. 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. As at 31 December 2014, CITIC's total assets stood at RMB4,732.90 billion with a net profit of RMB29.10 billion. The Chairman of CITIC is Mr. Chang Zhenming (who is also the Vice Chairman of CIFH).

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

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

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

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



CITIC Limited (formerly known as CITIC Pacific Limited)

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

CITIC Corporation Limited (formerly known as CITIC Limited)

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

China CITIC Bank Corporation Limited

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

As part of the Restructuring Strategy, on 8 May 2009, CNCB entered into a Share Purchase Agreement with CITIC and Gloryshare Investments Limited (**GIL**) to acquire a 70.32 per cent. interest in CIFH for a cash consideration of approximately HK$13.6 billion (US$1.7 billion). This CIFH Acquisition is an integral part of

CITIC's Restructuring Strategy, the intention of which was explicitly stated at the time of CIFH's privatisation in November 2008. The CIFH Acquisition was completed on 23 October 2009. Two senior executives of CNCB are currently Non-Executive Directors of the Bank.

The CIFH Acquisition is expected to enable CNCB to:

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

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

CITIC International Financial Holdings Limited

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

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

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

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

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

The privatisation of 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 of become CITIC's exclusive vehicle to develop commercial banking business in Hong Kong and a commercial banking platform for new business expansion for CITIC in Asia.

As at 30 June 2016, the CIFH Group's total assets, shareholders' funds, total loans and total deposits were HK$298.0 billion (US$38.4 billion), HK$27.4 billion (US$3.5 billion), HK$176.2 billion (US$22.7 billion) and HK$240.1 billion (US$31.0 billion), respectively.

As at the date of this Supplement, 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

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