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This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an invitation or offer to acquire, purchase or subscribe for securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Bank (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

*This announcement does not constitute or form a part of any offer of securities for sale in the United States. Unless otherwise specified, any Bonds (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States, or to or for the account or benefit of, U.S. persons (as defined in the Securities Act) absent registration or an exemption from registration under the Securities Act. No public offering of the securities will be made in the United States.*

Notice to Hong Kong investors: *The Bank confirms that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Therefore, the Bank confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR ON THE STOCK EXCHANGE OF HONG KONG LIMITED

ICBC 中国工商银行

中 國 工 商 銀 行 股 份 有 限 公 司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

(the "Bank")

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

Stock Code: 1398
EUR Preference Shares Stock Code: 4604
USD Preference Shares Stock Code: 4620

ISSUE OF U.S.$6,160,000,000 UNDATED ADDITIONAL TIER 1 CAPITAL BONDS (THE "BONDS")

(Stock Code: 40864)

Sole Financial Adviser, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

ICBC (Asia)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup HSBC J.P. Morgan Mizuho Securities

Joint Bookrunners and Joint Lead Managers

BOC International Commerzbank Crédit Agricole CIB

ICBC Standard Bank Natixis UBS

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds with the initial distribution rate of 3.20 per cent. per annum on The Stock Exchange of Hong Kong Limited dated 24 September 2021 published by the Bank.

Please refer to the offering circular relating to the Bonds dated 16 September 2021 (the "**Offering Circular**") appended herein. The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published. As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Bank, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

The Board of Directors of
Industrial and Commercial Bank of China Limited

Beijing, PRC
27 September 2021

As at the date of this announcement, the Board of Directors comprises Mr. CHEN Siqing, Mr. LIAO Lin and Mr. WANG Jingwu as executive directors, Mr. LU Yongzhen, Mr. ZHENG Fuqing, Mr. FENG Weidong, Ms. CAO Liqun and Ms. CHEN Yifang as non-executive directors, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun, Mr. SHEN Si, Mr. Nout WELLINK and Mr. Fred Zuliu HU as independent non-executive directors.

APPENDIX

OFFERING CIRCULAR DATED 16 SEPTEMBER 2021

IMPORTANT NOTICE

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"))

You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached Offering Circular on the basis that you have confirmed your representation to Industrial and Commercial Bank of China Limited (the "**Bank**"), Industrial and Commercial Bank of China (Asia) Limited (the "**Sole Financial Adviser**") and Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Mizuho Securities Asia Limited, BOCI Asia Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, ICBC Standard Bank Plc, Natixis and UBS AG Hong Kong Branch (together with the Sole Financial Adviser, collectively, the "**Joint Lead Managers**") (1) that you and any customers you represent are non-U.S. persons (as defined in Regulation S under the Securities Act) outside of the United States, (2) that the electronic mail address that you provided and to which this electronic mail has been delivered is not located in the United States, and (3) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank or any Joint Lead Manager or any of their respective directors, employees, representatives, advisers or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will upon request provide a hard copy version to you.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the U.S. dollar undated additional tier 1 capital bonds (the "**Bonds**") referred to in the attached Offering Circular.

THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT. ACCORDINGLY, THE BONDS ARE NOT ALLOWED TO BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT IN TRANSACTIONS WHERE RELEVANT EXEMPTION HAS BEEN OBTAINED OR THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT ARE NOT APPLICABLE. THE BONDS WILL BE OFFERED TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE BONDS FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Bank or any of the Joint Lead Managers to subscribe for or purchase any of the Bonds described therein, and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licenced broker or dealer and any Joint Lead Manager or any affiliate of the Joint Lead Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or affiliate on behalf of the Bank in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds described therein.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any Bonds by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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

You are responsible for protecting your electronic device against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Bonds referred to in the attached Offering Circular are complex financial instruments with high risk and are not a suitable or appropriate investment for all investors.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

Hong Kong – Investors in Hong Kong should not purchase the Bonds in the primary or secondary markets unless they are professional investors (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of

Hong Kong) and its subsidiary legislation, "**Professional Investors**") only and understand the risks involved. The Bonds are only suitable for Professional Investors.

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
中國工商銀行股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1398)
(EUR Preference Shares Stock Code: 4604)
(USD Preference Shares Stock Code: 4620)

U.S.$6,160,000,000 Undated Additional Tier 1 Capital Bonds (the "Bonds")
Issue Price for the Bonds: 100.0 per cent.

The U.S.$6,160,000,000 Undated Additional Tier 1 Capital Bonds (the "**Bonds**") will be issued by Industrial and Commercial Bank of China Limited (the "**Bank**" or the "**Issuer**", together with its subsidiaries, the "**Group**") on 24 September 2021 (the "**Issue Date**").

The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**"). The Bonds will constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves. In the event of a Winding-Up (as defined in *"Terms and Conditions of the Bonds"* (the "**Conditions**")) of the Issuer, the claims of the Bondholders (as defined in the Conditions) for payment of principal and any Distribution (as defined below) under the Bonds shall be subordinated to the claims of depositors of the Issuer, general creditors of the Issuer, holders of Tier 2 Capital Instruments (as defined in the Conditions) and holders of any other subordinated indebtedness of the Issuer that rank senior to the Bonds; rank in priority to the claims of holders of all classes of share capital of the Issuer; and rank *pari passu* with the claims of holders of any other Additional Tier 1 Capital Instruments (as defined in the Conditions) that rank *pari passu* with the Bonds. In addition, in the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall rank *pari passu* with the claims of holders of the Parity Obligations (as defined in the Conditions) and rank in priority to the claims of holders of the Junior Obligations (as defined in the Conditions). The Bonds are intended to qualify as Additional Tier 1 Capital (as defined in the Conditions) of the Issuer pursuant to relevant regulatory requirements.

Subject as provided in the Conditions, the Bondholders are entitled to receive distributions which are due but unpaid and which have not been otherwise cancelled (the "**Distributions**"), payable semi-annually in arrear on 24 March and 24 September in each year (each, a "**Distribution Payment Date**") and the first Distribution Payment Date is 24 March 2022. The Bonds will accrue Distributions in respect of the period from and including, the Issue Date to but excluding, 24 September 2026, (the "**First Reset Date**"), at the rate of 3.20 per cent. per annum (the "**Initial Distribution Rate**"), and thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter, to but excluding, the immediately following Reset Date, at the relevant Reset Distribution Rate (as defined in the Conditions). In addition, subject to the relevant resolution being passed at a general meeting of the shareholders, the Issuer may, in any event, elect to cancel (in whole or in part) any Distribution on the Bonds. The Issuer may at its discretion use the funds arising from the cancellation of such Distribution to repay other debts that are due. See details in "*Terms and Conditions of the Bonds – Distribution*".

All payments of principal and/or Distribution in respect of the Bonds will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC (as defined herein) or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the laws of the PRC. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required, subject to the extent described in the Conditions.

The Bonds will remain outstanding so long as the Issuer continues in operation and therefore the Bonds are undated and have no fixed maturity date. The Issuer will only have the right to redeem the Bonds as described in "*Terms and Conditions of the Bonds – Redemption, Variation and Purchase*". The Bonds are not redeemable at the option of the Bondholders and no Bondholder may request the Issuer to redeem any Bond held by it or request the Issuer to buyback any Bond held by it.

Subject to the satisfaction of the Redemption Conditions (as defined in the Conditions) and CBIRC Approval (as defined in the Conditions) having been obtained, the Issuer may redeem at its option all or some of the Bonds on 24 September 2026 (the "**First Call Date**") or any Distribution Payment Date thereafter (together with the First Call Date, each a "**Call Date**"), at their principal amount together with Distributions accrued to, but excluding, the date fixed for redemption but unpaid. See "*Terms and Conditions of the Bonds – Redemption, Variation and Purchase – Redemption at the Option of the Issuer*". Subject to any applicable regulatory requirements, the satisfaction of the Redemption Conditions (if applicable), and the CBIRC Approval having been obtained, the Issuer may redeem at its option all but not some only of the Bonds at any time (whether before or following the First Call Date) at their principal amount together with any accrued but unpaid Distribution to, but excluding, the date fixed for redemption if a Regulatory Variation Event (as defined in the Conditions) occurs. See "*Terms and Conditions of the Bonds – Redemption, Variation and Purchase – Redemption for Regulatory Reasons*". Upon the occurrence of the Regulatory Variation Event, the Issuer may, subject to and in accordance with any applicable regulatory requirements, at any time (whether before or following the First Call Date) vary the terms of the Bonds so that they remain or, as the case may be, become, eligible Additional Tier 1 Capital Instruments. See "*Terms and Conditions of the Bonds – Redemption, Variation and Purchase – Variation for Regulatory Reasons*".

If a Non-Viability Trigger Event (as defined in the Conditions) occurs, and subject to as described in "*Terms and Conditions of the Bonds – Subordination and Non-Viability Trigger Event – Write-off on a Non-Viability Trigger Event*", the Issuer has the right (without any requirement for the consent of the Bondholders) to irrevocably Write-off (in whole or in part) the principal amount of the Bonds then outstanding, with effect from the next day following the relevant Non-Viability Trigger Event Effective Date (as defined in the Conditions). The principal amount of the Bonds to be Written-off shall be calculated based on the proportion that the outstanding aggregate principal amount of the Bonds bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital Instruments with the same trigger event (including the Bonds). Once the principal amount of the Bonds (in whole or in part) has been Written-off, such relevant Written-off portion of the Bonds will not be restored or become payable again (whether in whole or in part) in any circumstances (including where the relevant Non-Viability Trigger Event ceases to continue), and any accrued but unpaid Distribution in respect of such relevant Written-off portion of the Bonds shall cease to be payable. In addition, there will be no compensation in any form to remedy the loss of the Bondholders. Any Write-off of any Bond (in whole or in part) pursuant to the Conditions, in any event, shall not constitute a default of the Issuer under the Bonds.

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*".

THE BONDS ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE BONDS IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS AND UNDERSTAND UNDERLYING RISKS. BONDS ARE COMPLEX FINANCIAL INSTRUMENTS WITH HIGH RISK AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. INVESTING IN THE BONDS INVOLVES RISKS. IN PARTICULAR, INVESTORS SHOULD READ THE SECTION TITLED "RISK FACTORS" CONTAINED IN THIS OFFERING CIRCULAR, INCLUDING BUT NOT LIMITED TO THE RISK FACTORS TITLED "THE BONDS CONTAIN NON-VIABILITY LOSS ABSORPTION PROVISIONS WHICH IF TRIGGERED WOULD RESULT IN THE PRINCIPAL AMOUNT IN RESPECT OF THE BONDS BEING WRITTEN-OFF", "THE OCCURRENCE OF A NON-VIABILITY TRIGGER EVENT MAY BE INHERENTLY UNPREDICTABLE AND MAY DEPEND ON A NUMBER OF FACTORS WHICH MAY BE OUTSIDE THE ISSUER'S CONTROL", "PAYMENT OF DISTRIBUTION IS SUBJECT TO RESTRICTIONS UNDER PRC LAWS", "THE BONDS ARE UNDATED AND ARE NOT REDEEMABLE AT THE OPTION OF THE BONDHOLDERS. HOWEVER, THE BONDS MAY BE REDEEMED AT THE DISCRETION OF THE ISSUER", "THE ISSUER'S OBLIGATIONS UNDER THE BONDS ARE SUBORDINATED AND THERE ARE LIMITED REMEDIES FOR NON-PAYMENT UNDER THE BONDS" AND "DISTRIBUTION ON THE BONDS ARE NON-CUMULATIVE AND ARE DISCRETIONARY". INVESTORS SHOULD ALSO BE AWARE THAT THERE ARE VARIOUS OTHER RISKS RELATING TO THE BONDS, THE ISSUER, THE GROUP, THEIR BUSINESS AND THEIR JURISDICTIONS OF OPERATIONS WHICH INVESTORS SHOULD FAMILIARISE THEMSELVES WITH BEFORE MAKING AN INVESTMENT IN THE BONDS. SEE "*RISK FACTORS*" BEGINNING ON PAGE 22.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended, the "Securities Act"). Accordingly, the Bonds are not allowed to be offered or sold in the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")), except in those transactions where relevant exemption has been obtained or the registration requirements of the Securities Act are not applicable. The Bonds will be offered to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. For descriptions of the restrictions above regarding the offering and selling of the Bonds and the distribution of this Offering Circular and certain other restrictions, see "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**")) (the "**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

The Bank has been assigned a long-term rating of "A" by S&P Global Ratings ("**S&P**") and "A1" by Moody's Investors Service Limited ("**Moody's**"). The Bonds are expected to be assigned a rating of "Ba1" by Moody's. The ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time. Potential investors shall make independent assessment on the ratings of the Bonds and other securities of the Bank.

Investors should have sufficient knowledge and expertise to evaluate effect or the likelihood of the occurrence of the Non-Viability Trigger Events for the Bonds which feature loss absorption.

The Bonds will be issued in registered form and will initially be represented by a global certificate (the "**Global Certificate**"). The Global Certificate will be registered in the name of a nominee of and deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream. Unless otherwise provided in the Global Certificate, no definite certificate for Bonds will be issued in exchange of the beneficial interests in the Global Certificate.

Sole Financial Adviser, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

ICBC (Asia)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup **HSBC** **J.P. Morgan**
Mizuho Securities

Joint Bookrunners and Joint Lead Managers

BOC International **Commerzbank** **Crédit Agricole CIB**
ICBC Standard Bank **Natixis** **UBS**

Offering Circular dated 16 September 2021

IMPORTANT NOTICE

The Bank, having made all reasonable enquiries confirms that to the best of its knowledge and belief, this Offering Circular (i) contains all information with respect to the Bank, the Group, the Bonds and which, according to the particular nature of the Bank, the Group and of the Bonds, is necessary to enable investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Bank, the Group, and of the Group's profit and loss and of the rights attaching to the Bonds and such information is accurate and complete in all material respects; and (ii) does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. All expressions of opinion, intention and expectation expressed herein are fair and made after due and careful consideration, are fair and reasonable and based on facts known, or which ought on reasonable enquiry to have been known, to the Bank.

Prospective investors should rely only on the information contained in this Offering Circular in making their investment decision. None of the Bank, the Joint Lead Managers (as defined herein) or The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**") or other agents appointed in connection with the issue of the Bonds (together with the Fiscal Agent, the "**Agents**") has authorised anyone to provide prospective investors with any other information.

Neither the delivery of this Offering Circular, nor any offering, sale or delivery made in connection with the issue of the Bonds should at any time or in any circumstances imply that the information contained in this Offering Circular is correct as at any time subsequent to the date of this Offering Circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, prospects or financial or trading position of the Bank or the Group since such date.

None of the Joint Lead Managers, any Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates has authorised the whole or any part of this Offering Circular, nor has any of them separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers nor the Agents, nor any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular, and nothing contained in this Offering Circular is, or should be, relied upon as a promise or representation by any of the Joint Lead Managers or the Agents, or their respective directors, officers, employees, agents, representatives, advisers or affiliates. To the fullest extent permitted by law, none of the Joint Lead Managers nor the Agents, nor any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager or an Agent, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates (or on its behalf), in connection with the Bank, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Agents and their respective directors, officers, employees, agents, advisers, representatives and affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (unless referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds. This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank or the Joint Lead Managers or the Agents, or their respective directors, officers, employees, agents, advisers, representatives or affiliates, that any recipient of this Offering Circular should purchase any of the Bonds. None of the Joint Lead Managers or the Agents, or their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the financial condition and affairs of the Bank or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers or the Agents, or their respective directors, officers, employees, agents, advisers, representatives and affiliates.

Prospective investors should not construe the contents of this Offering Circular as investment, legal or tax advice and should consult with their own counsels, accountants and other advisers as to legal, tax, business, financial and related aspects of investing in and receiving the Bonds. Each prospective investor will be deemed to acknowledge that it has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of the information contained in this Offering Circular, or its investment decision. Each prospective investor must rely on its own examination of the Bank and its subsidiaries and the Conditions, including, without limitation, the merits and risks involved. Each investor receiving this Offering Circular is advised to read and understand the contents of this Offering Circular, including the financial statements and the related notes thereto incorporated by reference, before investing in the Bonds. If in doubt, such person should consult his or her own advisers.

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

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds including the risk that holders could lose their entire investment in the Bonds.

No offer or solicitation with respect to the Bonds may be made in any jurisdiction or under any circumstances where such offer or solicitation is unlawful or not properly authorised. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Bank and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. No action is being taken or will be taken in any jurisdiction to permit an offering to the general public of the Bonds or the distribution of this Offering Circular (where action would be required for such purposes). For a description of certain further restrictions on offers, sales and deliveries of the Bonds and on distribution of this Offering Circular, see the section entitled "*Subscription and Sale*" in this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY JOINT LEAD MANAGER WHO IS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (THE "STABILISATION MANAGER(S)") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

Hong Kong – Investors in Hong Kong should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors only and understand the risks involved. The Bonds are only suitable for Professional Investors.

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

Certain Joint Lead Managers and/or their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

Documents Incorporated by Reference

The following documents which previously have been filed with the Hong Kong Stock Exchange and published on the website of the Hong Kong Stock Exchange (https://www.hkexnews.hk/) shall be incorporated in, and form part of, this Offering Circular:

- the interim consolidated financial information of the Group as at and for the six months ended 30 June 2021 set out on pages 49 to 79 (inclusive) of the 2021 interim results announcement (published on 27 August 2021) of the Bank;

- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 together with the Independent Auditor's Report thereon, as set out on pages 140 to 281 (inclusive) of the 2020 annual report (published on 23 April 2021) of the Bank; and

- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 together with the Independent Auditor's Report thereon, as set out on pages 144 to 290 (inclusive) of the 2019 annual report (published on 24 April 2020) of the Bank.

For the avoidance of doubt, the content of the websites of the Hong Kong Stock Exchange does not form part of this Offering Circular.

Presentation of Information

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 incorporated by reference in this Offering Circular have been prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**") and have been audited by KPMG.

On 27 August 2021, the Bank published its 2021 interim results announcement, which includes the interim consolidated financial information of the Group as at and for the six months ended 30 June 2021 (the "**Group's Interim Financial Information**"). The Group's Interim Financial Information incorporated by reference in this Offering Circular was extracted from the interim consolidated financial statements of the Group as at and for the six months ended 30 June 2021 (the "**Group's Interim Financial Statements**"), which have been prepared and presented in accordance with the International Accounting Standard ("**IAS**") 34, Interim Financial Reporting and have been reviewed by Deloitte Touche Tohmatsu ("**Deloitte**"), Certified Public Accountants. The review opinion issued by Deloitte on the Group's Interim Financial Statements is unqualified, and the Group's Interim Financial Statements (including the review opinion) will be published by the Bank in due course. The Group's Interim Financial Statements have not been audited by Deloitte, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. In addition, the Group's Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. Neither the Joint Lead Managers nor their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the sufficiency of the Group's Interim Financial Information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the financial condition and results of operations of the Group.

On 1 January 2019, the Bank adopted IFRS 16 – Leases ("**IFRS 16**"). For the impact of the adoption of IFRS 16 on the Bank, please refer to Note 2(3) "Basis of Preparation – Change in accounting policies – IFRS 16 "Leases"" of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 incorporated by reference in this Offering Circular. The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The corresponding financial information as at and for the year ended 31 December 2018 included in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 has not been restated. The financial information of the Group as at and for the year ended 31 December 2018 included in this Offering Circular may not be directly comparable with the financial information of the Group as at and for the years ended 31 December 2019 and 2020 and the financial information of the Group as at and for the six months ended 30 June 2021.

Unless otherwise stated, all financial statements contained herein which are stated as relating to the Bank are referring to the consolidated financial statements of the Group.

Exchange Rate Information

For prospective investors' convenience and the consistence of presentation only, this Offering Circular contains translations of certain amounts in U.S. dollars into RMB. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars or from U.S. dollars to Renminbi were made at the exchange rate as at 31 December 2020 of RMB6.5249 to U.S.$1.00. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or *vice versa*, at any particular rate, or at all.

Rounding

In this Offering Circular, certain data may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

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

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GLOSSARY

In this Offering Circular, unless the context otherwise requires, the following abbreviations or terms shall have the meanings set out below.

"Additional Tier 1 Capital"	has the meaning given to Additional Tier 1 Capital (其他一級資本) (or any equivalent or successor term) in the Capital Management Rules
"Agents"	the Fiscal Agent, the Registrar, the Calculation Agent, the Paying Agents, the Transfer Agents and any other agent or agents appointed from time to time in respect of the Bonds
"Alternative Clearing System"	any other alternative clearing system (other than Euroclear and Clearstream) through which interests in the Bonds are held
"A Share(s)"	domestic ordinary share(s) with a par value of RMB1.00 each in the registered capital of the Bank, listed on the Shanghai Stock Exchange (stock code: 601398) and traded in RMB
"A Shareholder(s)"	holder(s) of the A Shares
"Bank" or **"Issuer"** or **"Industrial and Commercial Bank of China"**	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a joint stock limited company incorporated in the PRC with its H Shares and A Shares listed in Hong Kong Stock Exchange and Shanghai Stock Exchange respectively
"Basel Committee"	Basel Committee on Banking Supervision
"Basel III"	the third edition of the Basel Capital Accord promulgated in December 2010 by Basel Committee
"Board"	the board of Directors of the Bank
"Board of Supervisors"	the supervisory board of the Bank
"Capital Adequacy Ratio"	has the meaning given to it in the Capital Management Rules
"Capital Management Rules"	the Administrative Measures for the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) promulgated on 7 June 2012 by the China Banking Regulatory Commission (currently, the CBIRC) and which became effective on 1 January 2013 (as amended, novated, supplemented, restated or replaced from time to time)
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organisations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on 24 March 2018, and, if the context requires, includes its predecessors or any successor entity
"CBIRC Guiding Opinions"	the Guiding Opinions on Innovation of Capital Instruments of Commercial Banks issued by the China Banking and Insurance Regulatory Commission (Revised) (中國銀行業監督管理委員會關於商業銀行資本工具創新的指導意見(修訂))

"CBRC"	China Banking Regulatory Commission (中國銀行監督管理委員會), currently known as CBIRC
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), currently known as CBIRC
"Clearstream"	Clearstream Banking S.A.
"Commercial Banking Law"	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法), as amended from time to time
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended from time to time
"Conditions"	the terms and conditions of the Bonds
"Core Tier 1 Capital"	has the meaning given to Core Tier 1 Capital (核心一級資本) (or any equivalent or successor term) in the Capital Management Rules
"Core Tier 1 Capital Adequacy Ratio"	has the meaning given to Core Tier 1 Capital Adequacy Ratio (核心一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules, as at any date being the ratio of Core Tier 1 Capital of the Bank as at such date to the Risk-Weighted Assets of the Bank as at the same date, expressed as a percentage
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s) "	the directors of the Bank
"Distributions"	non-cumulative distributions that each Bondholder shall be entitled to receive which have not been otherwise cancelled, payable semi-annually in arrear
"Distribution Payment Date"	24 March and 24 September in each year with the first Distribution Payment Date commencing on 24 March 2022
"Distribution Period"	The period beginning on and including the Issue Date and ending on but excluding the first Distribution Payment Date and each successive period beginning on and including a Distribution Payment Date and ending on but excluding the next succeeding Distribution Payment Date
"Distribution Rate"	the Initial Distribution Rate and/or the applicable Reset Distribution Rate (as the case may be)
"Euroclear"	Euroclear Bank SA/NV
"First Reset Date"	24 September 2026
"Group", "we", "our" or **"us"**	the Bank and its subsidiaries

"H Share(s)"	overseas listed foreign share(s) with a par value of RMB1.00 each in the registered capital of the Bank, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (stock code: 1398)
"H Shareholder(s)"	holder(s) of the H Shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Limited (中央匯金投資有限責任公司), the controlling shareholder of the Bank
"ICBC (Asia)" or "Sole Financial Adviser"	Industrial and Commercial Bank of China (Asia) Limited
"Independent Non-executive Director(s)"	the independent non-executive director(s) of the Bank
"Initial Distribution Rate"	3.20 per cent. per annum
"Joint Bookrunners and Joint Lead Managers"	Industrial and Commercial Bank of China (Asia) Limited, Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Mizuho Securities Asia Limited, BOCI Asia Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, ICBC Standard Bank Plc, Natixis and UBS AG Hong Kong Branch
"Joint Global Coordinators"	Industrial and Commercial Bank of China (Asia) Limited, Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc and Mizuho Securities Asia Limited
"Macau"	the Macau Special Administrative Region of the PRC
"MOF"	the Ministry of Finance of the PRC
"Non-executive Director(s)"	the non-executive director(s) of the Bank
"NPL"	non-performing loans
"Ordinary Shares"	the H Shares, A Shares and any other ordinary shares of the Bank in issue from time to time
"PBOC"	the People's Bank of China (中國人民銀行)
"PRC" or **"China"**	the People's Republic of China, but for the purposes of this Offering Circular only, excluding Hong Kong, Macau and Taiwan
"RMB", "Renminbi" or **"CNY"**	Renminbi, the lawful currency of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Shareholder(s)"	the holders of any class of share of the Bank from time to time
"Stabilisation Manager"	any joint lead manager who is appointed and acting in its capacity as a stabilisation manager
"State Council"	the PRC State Council
"Subscription Agreement"	the subscription agreement in respect of the Bonds entered into between the Bank and the Joint Lead Managers on or around 16 September 2021
"Supervisor(s)"	the supervisor(s) of the Bank
"Taiwan"	Taiwan Province of China
"Tier 1 Capital Adequacy Ratio"	has the meaning given to Tier 1 Capital Adequacy Ratio (一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules
"U.S.$", "USD" or **"U.S. dollars"**	United States dollars, the lawful currency of the United States

SUMMARY

This summary aims to give you an overview of the information contained in this Offering Circular. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Offering Circular. You should read the whole document before you decide to invest in the Bonds.

There are risks associated with any investment. Some of the particular risks in investing in the Bonds are set out in "Risk Factors" in this Offering Circular. You should read that section carefully before you decide to invest in the Bonds.

Overview

We rank first place in the PRC banking industry in terms of each of total assets, market share of loans and market share of deposits for the past three years. In 2020, we ranked first among the "Top 1000 World Banks" by The Banker, ranked first place among the "Global 2000" by Forbes and ranked first in the list of commercial banks of the "Global 500" by Fortune for the eighth year in a row. We also ranked first among the "Top 500 Banking Brands" by Brand Finance for the fifth consecutive year.

Established on 1 January 1984, we were restructured to become a joint-stock limited company on 28 October 2005. On 27 October 2006, we were successfully listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange.

We have developed into the leading listed bank in the world, possessing a wide customer base, a diversified business structure, strong innovation capabilities and market competitiveness. We have established presence in six continents, with a global network covering 49 countries and regions and 426 overseas institutions as at 31 December 2020. In addition, through our equity participation in Standard Bank Group Limited, we indirectly cover 20 countries in Africa. We provide comprehensive financial products and services to approximately 8.60 million corporate customers and over 680 million personal customers via our distribution channels domestically, internationally and as well as through our E-banking network comprising a range of internet and telephone banking services and self-service banking centres, forming a diversified and internationalised operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in the commercial banking sector. As one of the leading commercial banks in terms of global presence and asset size, we implemented the "Belt and Road Initiative". We have carried out a number of projects and maintained 124 institutions in 21 countries and regions along the "Belt and Road" as at 31 December 2020.

We provide customers with a wide range of financial products and services and have formed a cross-market, internationalised and integrated business model with a focus on commercial banking. We have maintained a leading position among PRC commercial banks in most of our core and emerging businesses.

We believe that "Industrial and Commercial Bank of China" is one of the most recognised financial service brand names in the PRC with significant international influence. We have won numerous awards over the years.

We strive to duly implement the organic unification of economic and social responsibilities, gaining wide social recognition for supporting economic and social development, protecting environment and resources, and participating in community services. In recent years, we have won awards from various institutions including "Best Social Responsibility Financial Institution Award" and "Best Social Contribution Award" by China Banking Association and "Best Chinese State-owned Listed Companies on Corporate Social Responsibilities Award" by *Southern Weekly*.

Our Competitive Strengths

We have the following competitive strengths:

- We possess a leading market position in the PRC with growing international influence;

- We have transformed our business operations successfully and have created a leading business model in the PRC banking industry;
- We have established an extensive customer base and effective distribution channels;
- We have a leading position in the industry in terms of E-banking capability and technological development and continue to focus on FinTech;
- We have further enhanced our risk management and internal control capability by establishing an advanced, quantitative and comprehensive risk management system;
- Our advanced information technology systems provide strong support for our business innovation and development;
- We have steadily implemented our internationalisation and integration strategy for development and enhanced our capability as a comprehensive financial services provider; and
- Our senior management team has extensive experience, and their vision has helped us maintain our leading position in the PRC banking industry.

Our Strategies

We will remain guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strive for the goal of building a moderately prosperous society in all respects, follow the "48-character" guideline of "guidance of Party building and strict governance, customer first and serving the real economy, technology driven and value creation, international vision and global operation, pragmatic transformation and reform, solid foundation by risk control and talent-oriented development" and accurately understand the "big, comprehensive, stable, new, optimal and strong" orientation of development. Meanwhile, we will make coordinated effort on regular COVID-19 containment, financial services and business development and provide financial services that are increasingly adaptive, competitive and inclusive. We intend to achieve this through the following strategies:

- Continuing to optimise our asset and liability structure;
- Diversifying revenue and asset mix by expanding into higher growth non-credit exposure businesses;
- Strategically expanding our traditional branch network and enhancing sales and marketing capabilities through electronic banking operations, cross-market and integrated operating platforms;
- Continuing to invest in information technology infrastructure and to utilise advanced technology to support our growing business;
- Continuing to strengthen risk management and internal control systems; and
- Enhancing employee performance through performance-linked incentive schemes and regular training and development initiatives.

RECENT DEVELOPMENTS

Issuance of Undated Additional Tier 1 Capital Bonds

The Bank considered and approved the proposal on the issuance of undated additional tier 1 capital bonds with a write-off feature in China's national inter-bank bond market of an amount not more than RMB100 billion at its second extraordinary general meeting of 2020 held on 26 November 2020. On 29 March 2021, the Bank further announced that it has received CBIRC's approval on the aforementioned proposed issuance of undated additional tier 1 capital bonds in the domestic market.

In June 2021, the Bank publicly issued undated additional tier 1 capital bonds of RMB70 billion in China's national inter-bank bond market. All proceeds from this issuance, after deduction of issuance expenses, will be used to replenish the Bank's additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

Issuance Progress of Tier 2 Capital Bonds

In January 2021, the Bank publicly issued tier 2 capital bonds of RMB30 billion in China's national inter-bank bond market. All proceeds will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

The Bank considered and approved the proposal on the issuance of eligible tier 2 capital instruments with a write-off feature in domestic and offshore markets of an amount not more than RMB190 billion or an equivalent value in foreign currency at its 2020 annual general meeting held on 21 June 2021.

The actual issuance of the tier 2 capital instruments of the Bank is subject to further approvals from other relevant regulatory authorities as well as market conditions.

COVID-19 Impact and Response

In 2020, the global economy was largely impacted by the COVID-19 pandemic. In order to overcome the impact of the COVID-19 pandemic and changes to the external environment on our businesses and help our clients and the society to overcome such difficult times together, we have put in place a number of methods.

In 2020, we actively implemented the fee reduction and profit concession policies, increased the support of financial services for the real economy, strengthened risk prevention and control in order to maintain prudential operation and development of our businesses.

We also timely adjusted our credit strategy to support the development of the real economy and meet the funding demands for prevention and control of the pandemic, resumption of work and production, emergency loans and deferral of repayment of principal and interest which helped enterprises affected by the pandemic to relieve some of their temporary operational difficulties.

In responses to the COVID-19 pandemic, we actively provided our clients with more digital and contactless customer services. Our offline intelligent self-service channels can now be used to handle 299 personal and corporate services, including more than 130 "medialess" services, covering most services that are frequently used by our customers.

In addition, we actively invested in bonds from areas affected by the pandemic and bonds whose proceeds will be mainly used for pandemic prevention and control, in order to provide strong financing support for the pandemic prevention and control.

Although China has managed to control the pandemic effectively, in 2021, the control and vaccination against COVID-19 remain the major factors affecting economic recovery across the world. We will continue to closely monitor the evolving situation of COVID-19 and evaluate and proactively assess and respond to its impact on our financial position and operating results. For further information, please refer to the following risk factors in the section "*Risk Factors – Risks Relating to Our Loans, Deposits and Investments – Our business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC*" and "*Risk Factors – Risks Relating to the PRC – Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations*".

2021 Interim Results Announcement

On 27 August 2021, the Group published its 2021 interim results announcement on the website of the Hong Kong Stock Exchange. The 2021 interim results announcement contain financial information extracted from interim financial reports prepared by the Bank in accordance with IAS 34 under IFRS which has been reviewed by Deloitte.

The year of 2021 marks the 100th anniversary of the founding of the Communist Party of China. Around this historic point of advancing from the first centenary goal to the second one, the Bank followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhered to the general principle of pursuing progress while ensuring stability, and comprehensively implemented the decisions of the Chinese Communist Party (the "**CPC**") Central Committee and the State Council. It focused on the new development stage, acted on the new development philosophy, and served the new development paradigm, in an endeavour to promote the high-quality development. In accordance with the "48-character" guideline, the Bank took solid steps to advance the implementation of new development plan, maintaining a good momentum of steady growth in operation and delivering an interim result which was better than expected and than that of the same period of last year. Below is a summary of the business operation in the first half of 2021:

- in terms of operational indicators, the foundation for stability is growing more solid;
- in terms of serving the real economy, greater progress is being made;
- in terms of risk control, the good momentum continued; and
- in terms of transformation and innovation, new stronger drivers are emerging.

During the six months ended 30 June 2021, the Bank continued to form the pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation". Institutional banking, corporate banking, transaction banking, and settlement as four superior business lines of the Bank continued to grow at high levels and achieved significant results in the coordinated implementation of key strategies.

The Bank actively sought to meet the diversified needs of residents for wealth allocation during the transition period to the New Rules on Asset Management, moved faster to integrate and reshape many business chains of the Group such as banking, wealth management, funds, and insurance, and provided customers with one-stop product options and professional investment advisory services, in an effort to create a competitive, sustainable wealth management business model. At the end of the six months ended 30 June 2021, the scale of the Bank's assets under management was RMB4.67 trillion and the scale of assets under custody was RMB20.64 trillion, thus maintaining its comparative advantage as the largest asset management financial group in China.

Nomination of External Supervisor

The meeting of the board of supervisors of the Bank held on 27 August 2021 considered and approved the proposal on the nomination of Mr. Zhang Jie as candidate of external supervisor of the Bank and to submit such proposal to the general meeting of shareholders for consideration and approval.

Nomination of Non-Executive Director

The meeting of the board of directors of the Bank held on 27 August 2021 considered and approved the proposal on nomination of Mr. Dong Yang as candidate of non-executive director of the Bank. Mr. Dong was recommended by Huijin. Mr. Dong's appointment as non-executive director of the Bank is subject to the consideration and approval by the general meeting of shareholders of the Bank and is further subject to the approval by the CBIRC after the approval from the general meeting of shareholders of the Bank having been obtained. Mr. Dong's term of office as non-executive director of the Bank will commence on the date when the approval from the CBIRC has been obtained.

Appointment of the Chairman of the Board of Supervisors

On 29 July 2021, the first extraordinary general meeting of 2021 of the Bank considered and approved the Proposal on the Election of Mr. Huang Liangbo as Shareholder Supervisor of the Bank. Mr. Huang's term of office as Shareholder Supervisor and the Chairman of the Board of Supervisors of the Bank commence upon the consideration and approval at the general meeting of shareholders of the Bank.

Appointment of Executive Director

On 29 July 2021, the first extraordinary general meeting of 2021 of the Bank considered and approved the Proposal on the Election of Mr. Wang Jingwu as Executive Director of the Bank. Recently, the Bank received an approval from the CBIRC in relation to Mr. Wang's qualification as Executive Director of the Bank. Pursuant to the relevant requirements, the qualification of Mr. Wang as Executive Director of the Bank has been approved by the CBIRC. The appointment of Mr. Wang as Executive Director of the Bank has become effective.

THE OFFERING

The following overview contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Terms and phrases used in this overview and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds". Prospective investors should refer to "Terms and Conditions of the Bonds" in this Offering Circular for a detailed description of the Bonds.

Issuer	Industrial and Commercial Bank of China Limited 中國工商銀行股份有限公司
Bonds	U.S.$6,160,000,000 Undated Additional Tier 1 Capital Bonds
Issue Price	100.0 per cent.
Issue Date	24 September 2021.
Capital Treatment of the Bonds	It is intended that the Bonds will qualify as Additional Tier 1 Capital of the Issuer.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
No Fixed Maturity Date	The Bonds will remain outstanding so long as the Issuer continues in operation and therefore the Bonds are undated and have no fixed maturity date. The Issuer will only have the right to redeem the Bonds as described in Condition 5 (*No Fixed Maturity Date*) of the Conditions. The Bonds are not redeemable at the option of the Bondholders and no Bondholder may request the Issuer to redeem any Bond held by it or request the Issuer to buyback any Bond held by it.
Status and Subordination	The Bonds will constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves. In the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall be subordinated to the claims of depositors of the Issuer, general creditors of the Issuer, holders of Tier 2 Capital Instruments and holders of any other subordinated indebtedness of the Issuer that rank senior to the Bonds; rank in priority to the claims of holders of all classes of share capital of the Issuer; and rank *pari passu* with the claims of holders of any other Additional Tier 1 Capital Instruments that rank *pari passu* with the Bonds. In addition, in the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall rank *pari passu* with the claims of holders of the Parity Obligations and rank in priority to the claims of holders of the Junior Obligations. The ranking of claims set out above applies to all obligations, present or future, issued or guaranteed by the Issuer that rank or are expressed to rank in priority to, junior to or *pari passu* with the Bonds, as the case may be, by operation of law or contract, but at all times subject to such exceptions required by mandatory provisions of applicable laws and regulations.

Other than in the event of a Winding-Up of the Issuer, no Bondholder shall declare any payment of principal or Distribution under the Bonds immediately due and payable.

Distribution . . . .

Subject as provided in Condition 4 (*Distribution*) of the Conditions, the Bondholders will be entitled to receive distributions which are due but unpaid and which have not been otherwise cancelled (the "**Distributions**") payable semi-annually in arrear.

Subject as provided in Condition 4 (*Distribution*) of the Conditions, each Distribution shall be payable semi-annually in arrear on 24 March and 24 September in each year (each an "**Distribution Payment Date**") and the first Distribution Payment Date is 24 March 2022.

The rate of Distribution (the "**Distribution Rate**") applicable to the Bonds shall be:

(i) in respect of the period from and including, the Issue Date to, but excluding, 24 September 2026 (the "**First Reset Date**"), 3.20 per cent. per annum (the "**Initial Distribution Rate**"); and

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

"**Reset Date**" means the First Reset Date and each date that falls five or a multiple of five years following the First Reset Date.

"**Reset Distribution Rate**" means the distribution rate per annum equal to the sum of the Benchmark Rate with respect to the Reset Date plus the Spread.

"**Spread**" means 2.368 per cent.

Distribution on the Bonds will be calculated on a simple interest basis per annum, payable semi-annually in arrear. The Bonds do not require any overdue Distribution to be compounded and do not provide for any increased default interest.

Conditions to Distributions and Cancellation . . . .

Notwithstanding any other provision in Condition 4 (*Distribution*) of the Conditions, the payment of any Distribution on any Distribution Payment Date is subject to the Issuer having distributable items.

See "Risk Factors – Risks relating to the Bonds – Payment of Distribution is subject to restrictions under PRC laws" for more details about distributable items.

In addition, subject to the relevant resolution being passed at a general meeting of the shareholders, the Issuer may, in any event, elect to cancel (in whole or in part) any Distribution on the Bonds. The Issuer may at its discretion use the funds arising from the cancellation of such Distribution to repay other debts that are due.

The Issuer shall give notice to the Bondholders in accordance with Condition 12 (*Notices*) of the Conditions and the Fiscal Agent of any cancellation (in whole or in part) of any Distribution scheduled to be paid as soon as possible after a resolution has been passed at the general meeting of the shareholders described above to cancel (in whole or in part) such Distribution, and in any event at least 10 Payment Business Days prior to the relevant Distribution Payment Date, provided that any failure to give such notice shall not affect the cancellation of (in whole or in part) such Distribution by the Issuer and shall not constitute a default of the Issuer in any event.

The cancellation of any Distribution (in whole or in part) in accordance with the Conditions shall not constitute a default of the Issuer in any event.

Non-Cumulative Distributions . . . . The payments of Distributions are non-cumulative. Under the circumstance where the Issuer cancels a Distribution (in whole or in part) in accordance with such shareholders' resolution and the Conditions, any amount of Distribution that has not been fully distributed to the Bondholders during the current Distribution Period will not be accumulated to the following Distribution Periods.

Dividend Stopper . . . . If the Issuer elects to cancel (in whole or in part) any Distribution on the Bonds, the cancellation of such Distribution (in whole or in part) on the Bonds shall be approved by a resolution passed at a general meeting of the shareholders of the Issuer (but not where such Distribution has been cancelled pursuant to Condition 3(c) (*Write-off on a Non-Viability Trigger Event*) of the Conditions upon the occurrence of a relevant Non-Viability Trigger Event).

From the day immediately following the Distribution cancellation resolution being approved at the general meeting of the shareholders, the Issuer shall not make any distribution or dividend in cash or otherwise to the holders of ordinary shares of the Issuer, until the Distribution scheduled to be paid on any subsequent Distribution Payment Date is paid in full to the Bondholders. The cancellation (in whole or in part) of any Distribution on the Bonds will only constitute a restriction on the payment of distribution or dividend to the extent as set out in Condition 4(f) (*Dividend Stopper*) of the Conditions and will not constitute any other restrictions on the Issuer.

Write-off on a Non-Viability Trigger Event . . . . If a Non-Viability Trigger Event occurs, the Issuer has the right (without any requirement for the consent of the Bondholders) to irrevocably Write-off (in whole or in part) the principal amount of the Bonds then outstanding, with effect from the next day following the relevant Non-Viability Trigger Event Effective Date. The principal amount of the Bonds to be Written-off shall be calculated based on the proportion that the outstanding aggregate principal amount of the Bonds bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital Instruments with the same trigger event (including the Bonds). Once the principal amount of the Bonds (in whole or in part) has been Written-off, such relevant Written-off portion of the Bonds will not be restored or become payable again (whether in whole or in part) in any circumstances (including where the relevant Non-Viability Trigger Event ceases to continue), and any accrued but unpaid Distribution in respect of such relevant Written-off portion of the Bonds shall cease to be payable. In addition, there will be no compensation in any form to remedy the loss of the Bondholders.

Any Write-off of any Bond (in whole or in part) pursuant to the Conditions, in any event, shall not constitute a default of the Issuer under the Bonds.

A "**Non-Viability Trigger Event**" means the earlier of:

(A) the CBIRC having determined that the Issuer will not be able to exist if there is no write-off or conversion of the Issuer's capital; and

(B) the relevant regulatory departments having determined that the Issuer will not be able to exist if the public sector does not provide a capital injection or other equivalent support.

*As of the date of this Offering Circular, to the Issuer's knowledge, pursuant to Paragraph 2(1) of the Guiding Opinions on Innovation of Capital Instruments of Commercial Banks issued by the China Banking and Insurance Regulatory Commission (Revised) (中國銀行業監督管理委員會關於商業銀行資本工具創新的指導意見(修訂)) (the "**CBIRC Guiding Opinions**"), the "relevant regulatory departments" referred to in Condition 3 (Subordination and Non-Viability Trigger Event) of the Conditions (including paragraph (B) in the definition above) are those which may determine whether a public sector injection of capital or equivalent support is necessary and the Issuer may not be able to exist without such capital injection or support, which includes the State Council, the Ministry of Finance, the People's Bank of China and the CBIRC. In making such determination (regarding paragraph (B) in the definition above), the relevant regulatory departments may consult each other and/or seek joint agreement among themselves. As new regulations, the Capital Management Rules and the CBIRC Guiding Opinions will be subject to interpretation and application by the CBIRC and the other relevant regulatory departments.*

"**Write-off**" or "**Written-off**" means the cancellation (in whole or in part) of the principal amount of the Bonds which shall not be restored or become payable again (whether in whole or in part) under any circumstances (including where the relevant Non-Viability Trigger Event ceases to continue). References to "**Write-off**" or "**Written-off**" in the Conditions shall be construed to include the cessation of payment and non-enforceability of any accrued but unpaid Distribution on such cancelled Bonds.

Write-off Procedure .... In respect of the Write-off of the principal amount of the Bonds (in whole or in part), such Write-off and any write-off or conversion of any other Additional Tier 1 Capital Instruments with the same trigger event and Tier 2 Capital Instruments will take place as follows:

(i) the Bonds shall be Written-off concurrently with the write-off or conversion, in accordance with the terms thereof or any applicable laws and regulations, of the principal amount of all other Additional Tier 1 Capital Instruments with the same trigger event; and

(ii) the Bonds shall be Written-off before the write-off or conversion, in accordance with the terms thereof or any applicable laws and regulations, of the principal amount of all Tier 2 Capital Instruments.

Once the principal amount or liquidation preference value of any Additional Tier 1 Capital Instruments with the same trigger event or Tier 2 Capital Instruments has been written-off or converted, any accrued or declared but unpaid dividend or distribution in respect of such write-off or converted portion shall, in accordance with the terms thereof or any applicable laws and regulations, cease to be payable.

If the principal amount of the Bonds is to be Written-off in part only, the principal amount of the Bonds to be Written-off shall be calculated (subject to any applicable laws and relevant regulatory approvals) as being (A) the proportion that the outstanding aggregate principal amount of the Bonds bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital Instruments with the same trigger event (including the Bonds), multiplied by (B) the total outstanding aggregate principal amount or liquidation preference value of all such Additional Tier 1 Capital Instruments (including the Bonds) that should be concurrently written-off or converted.

The application of partial Write-off on any Bond above is subject to the determination of the relevant authorities. See "Risk Factors – Risks relating to the Bonds – The Bonds contain non-viability loss absorption provisions which if triggered would result in the principal amount in respect of the Bonds being Written-off."

Redemption at the Option of the Issuer . . . .

Subject to Condition 5(c) (*Redemption at the Option of the Issuer*) of the Conditions, the Bonds are redeemable at the option of the Issuer. Subject to the satisfaction of the Redemption Conditions and the CBIRC Approval having been obtained, the Issuer may redeem at its option all or some of the Bonds on 24 September 2026 (the "**First Call Date**") or any Distribution Payment Date thereafter (together with the First Call Date, each a "**Call Date**"), at their principal amount together with Distributions accrued to, but excluding, the date fixed for redemption but unpaid.

Redemption for Regulatory Reasons . . . .

If a change in the Capital Management Rules or regulations made thereunder occurs on or after the Issue Date having the effect that the Bonds, after having qualified as such, will be fully disqualified as Additional Tier 1 Capital of the Issuer (the "**Regulatory Variation Event**", which for the avoidance of doubt, does not include any such disqualification of the Bonds as a result of any discounting or amortisation of the Bonds pursuant to the relevant law and regulation in force as at the Issue Date), subject to any applicable regulatory requirements, the satisfaction of the Redemption Conditions (if applicable), and the CBIRC Approval having been obtained, the Issuer may redeem at its option all but not some only of the Bonds at any time (whether before or following the First Call Date) at their principal amount together with any accrued but unpaid Distribution to, but excluding, the date fixed for redemption.

Redemption Conditions	"**Redemption Conditions**" means the following conditions precedent to the exercise of the right of the Issuer to redeem the Bonds: (i) the Issuer shall use capital instruments of the same or better quality to replace the Bonds to be redeemed and such replacement of capital is effected in circumstances where the Issuer has sustainable income generating capability; or (ii) the Issuer's regulatory capital after such redemption will remain well above the regulatory capital requirements prescribed by the CBIRC.
Variation for Regulatory Reasons	Upon the occurrence of the Regulatory Variation Event, the Issuer may, subject to and in accordance with any applicable regulatory requirements, having given not less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable, and with a copy to be provided to the Fiscal Agent), at any time (whether before or following the First Call Date) vary the terms of the Bonds so that they remain or, as the case may be, become, eligible Additional Tier 1 Capital Instruments.
Purchase	The Issuer undertakes that, unless otherwise permitted by the CBIRC: (i) neither it nor any affiliates controlled by it or over which it has significant influence shall purchase any Bonds; and (ii) it shall not directly or indirectly provide any financing for the purchase of any Bonds.
Enforcement Event; Limited Right of Acceleration	Notwithstanding any other provisions of the Bonds, the Bondholders shall not have any right to declare any payment of principal or Distribution under the Bonds immediately due and payable other than upon a Winding-Up of the Issuer. Upon the Winding-Up in respect of the Issuer, the Bonds shall immediately become due and payable at their principal amount together with accrued Distribution which has not been cancelled without further formality, and any Bondholder may claim in the Winding-Up of the Issuer. Without prejudice to the above, any Bondholder may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Bonds (including any payment obligation due under or arising from the Bonds, including, without limitation, payment of any principal or Distribution in respect of the Bonds and any damages awarded for breach of any obligations but excluding any right to declare the Bonds immediately due and payable prior to the Winding-Up of the Issuer) and in no event shall the Issuer be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
Taxation	All payments of principal and/or Distribution in respect of the Bonds will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or

governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the laws of the PRC. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required, except in certain circumstances described in the Conditions. See Condition 7 (*Taxation and Withholding*) of the Conditions.

Further Issues .... The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of Distribution on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds.

Risk Factors .... Investing in the Bonds under this Offering Circular involves risks. For a discussion of certain risks that should be considered in connection with an investment in the Bonds, see "*Risk Factors*" beginning on page 22 of this Offering Circular.

Use of Proceeds .... The net proceeds of the issuance, after deduction of the commissions and expenses relating to the issuance, being approximately U.S.$6,152,000,000, will be counted as the Additional Tier 1 Capital of the Bank in accordance with relevant regulatory requirements.

Governing Law .... The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and shall be construed in accordance with, English law (other than the provisions relating to subordination of the Bonds in the Conditions, which are governed by, and shall be construed in accordance with, PRC law).

Jurisdiction .... The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute, claims, difference or controversy that may arise out of, in relation to or in connection with the Bonds (and the Conditions), including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with the Bonds (and the Conditions) and any non-contractual obligations arising out of or in connection with them ("**Proceedings**") may be brought in such courts.

The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

Listing .... Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

Rating	The Issuer has been assigned a long-term rating of "A" by S&P and "A1" by Moody's. The Bonds are expected to be rated "Ba1" by Moody's. The ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time. Potential investors shall make independent assessment on the ratings of the Bonds and other securities of the Issuer.
ISIN	XS2383421711
Common Code	238342171
Legal Entity Identifier of the Bank	5493002ERZU2K9PZDL40.
Fiscal Agent, Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Clearing Systems	The Bonds will initially be represented by the Global Certificate, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, no definitive certificates for the Bonds will be issued in exchange for beneficial interests in the Global Certificate.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary consolidated statement of profit or loss data for the years ended 31 December 2018, 2019 and 2020 and the summary consolidated statement of financial position data as at 31 December 2018, 2019 and 2020 set forth below are extracted or derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 incorporated by reference in this Offering Circular. Prospective investors should read the summary financial information set forth below in conjunction with the relevant financial statements incorporated herein by reference.

The Bank adopted IFRS 16 – Leases on 1 January 2019. See "Presentation of Information" elsewhere in this Offering Circular for further details regarding the presentation of the Bank's financial information in this Offering Circular as a result thereof.

Summary Consolidated Statement of Profit or Loss Data

The following table sets forth, for the periods indicated, selected items from the Group's consolidated statement of profit or loss.

	For the year ended 31 December		
	2018	**2019**	**2020**
	(in RMB millions)		
Net Interest Income[(1)]	593,677	632,217	646,765
Net Fee and Commission Income[(1)]	124,394	130,573	131,215
Net trading income	2,846	8,447	2,222
Net gain/(loss) on financial investment	1,345	(3,682)	11,829
Other operating income, net[(1)]	2,859	8,447	8,044
Operating Income	725,121	776,002	800,075
Operating expenses	(194,203)	(207,776)	(206,585)
Impairment losses on assets – Loans and advances to customers	(147,347)	(162,108)	(171,830)
Impairment losses on assets – Others	(14,247)	(16,849)	(30,838)
Operating Profit	369,324	389,269	390,822
Share of profits of associates and joint ventures	3,089	2,520	1,304
Profit before taxation	372,413	391,789	392,126
Income tax expense	(73,690)	(78,428)	(74,441)
Profit for the year	298,723	313,361	317,685
Attributable to equity holders of the parent company	297,676	312,224	315,906
Attributable to non-controlling interests	1,047	1,137	1,779

Note:

(1) According to the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the 2020 Annual Report of Enterprises (《關於嚴格執行企業會計準則，切實加強企業2020年年報工作的通知》) promulgated by MOF, SASAC, CBIRC and CSRC, credit card instalment fee income and related expenses are reclassified from fee and commission income and expense to interest income and other net operating income. The data for the comparative years of 2019 and 2018 has been adjusted accordingly and the relevant financial indicators have also been restated.

Summary Consolidated Statement of Financial Position Data

The following table sets forth, as at the dates indicated, selected items from the Group's consolidated statement of financial position.

	As at 31 December		
	2018	2019	2020
	(in RMB millions)		
Assets			
Cash and balances with central banks	3,372,576	3,317,916	3,537,795
Due from banks and other financial institutions	962,449	1,042,368	1,081,897
Derivative financial assets	71,335	68,311	134,155
Reverse repurchase agreements	734,049	845,186	739,288
Loans and advances to customers	15,046,132	16,326,552	18,136,328
Financial investments	6,754,692	7,647,117	8,591,139
Investments in associates and joint ventures	29,124	32,490	41,206
Property and equipment	290,404	286,561	286,279
Deferred income tax assets	58,375	62,536	67,713
Other assets(1)	380,404	480,399	729,258
Total assets	27,699,540	30,109,436	33,345,058
Liabilities			
Due to central banks	481	1,017	54,974
Financial liabilities designated as at fair value through profit or loss	87,400	102,242	87,938
Derivative financial liabilities	73,573	85,180	140,973
Due to banks and other financial institutions	1,814,495	2,266,573	2,784,259
Repurchase agreements	514,801	263,273	293,434
Certificates of deposit	341,354	355,428	335,676
Due to customers	21,408,934	22,977,655	25,134,726
Income tax payable	84,741	96,192	89,785
Deferred income tax liabilities	1,217	1,873	2,881
Debt securities issued	617,842	742,875	798,127
Other liabilities(1)	409,819	525,125	712,770
Total liabilities	25,354,657	27,417,433	30,435,543
Total equity	2,344,883	2,692,003	2,909,515
Total equity and liabilities	27,699,540	30,109,436	33,345,058

Note:

(1) On 1 January 2019, the Bank adopted IFRS 16, and the Bank elected to use the modified retrospective approach for the adoption of IFRS 16 under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The financial information as at and for the year ended 31 December 2018 included in this Offering Circular has not been restated and may not be directly comparable with the financial information as at and for the years ended 31 December 2019 and 2020.

Summary of Key Financial and Operating Indicators

The following tables set forth a summary of the Group's key financial and operating indicators for the periods or as at the dates indicated.

	For the year ended 31 December		
	2018	2019	2020
Profitability indicators (%)			
Return on average total assets(1)	1.11	1.08	1.00
Return on weighted average equity(2)	13.79	13.05	11.95
Net interest spread(3)(4)	2.20	2.12	1.97
Net interest margin(4)(5)	2.36	2.30	2.15
Return on risk-weighted assets(6)	1.81	1.75	1.64
Ratio of net fee and commission income to operating income(4)	17.15	16.83	16.40
Cost-to-income ratio(7)	25.71	25.79	24.76

	As at 31 December		
	2018	2019	2020
Asset quality indicators (%)			
NPL ratio(8)	1.52	1.43	1.58
Allowance to NPLs(9)	175.76	199.32	180.68
Allowance to total loans ratio(10)	2.68	2.86	2.85
Capital adequacy indicators (%)			
Core Tier 1 Capital Adequacy Ratio(11)	12.98	13.20	13.18
Tier 1 Capital Adequacy Ratio(11)	13.45	14.27	14.28
Capital Adequacy Ratio(11)	15.39	16.77	16.88
Leverage Ratio(12)	7.79	8.31	8.14
Total equity to total assets ratio	8.47	8.94	8.73
Risk-weighted assets to total assets ratio	62.06	61.83	60.35
Liquidity ratios (%)			
RMB current assets to RMB current liabilities(13)	43.8	43.0	43.2
Foreign currency current assets to foreign currency current liabilities(13)	83.0	85.9	91.4

Notes:

(1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) (中國證監會《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》（2010年修訂）) issued by the CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on the average balance of interest-bearing liabilities.

(4) According to the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the 2020 Annual Report of Enterprises (《關於嚴格執行企業會計準則，切實加強企業2020年年報工作的通知》) promulgated by MOF, SASAC, CBIRC and CSRC, credit card instalment fee income and related expenses are reclassified from fee and commission income and expense to interest income and other net operating income. The data for the comparative years of 2019 and 2018 has been adjusted accordingly and the relevant financial indicators have also been restated.

(5) Calculated by dividing net interest income by the average balance of interest-generating assets.

(6) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.

(7) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

(8) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.

(9) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.

(10) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

(11) Calculated in accordance with the Capital Management Rules.

(12) Calculated in accordance with the CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015).

(13) Calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with the Generally Accepted Accounting Principles in the PRC (the "**PRC GAAP**"). The liquidity ratios are prepared on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

For the consolidated statement of profit or loss for the six months ended 30 June 2021, the consolidated statement of financial position as at 30 June 2021 and the summary of the Group's key financial and operating indicators as at and for the six months ended 30 June 2021, see "*Recent Developments – 2021 Interim Results Announcement*".

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Bank and the Group may be adversely affected by any of these risks. The risks described below are not the only ones relevant to the Bank, the Group or the Bonds. The Bank believes the risks described below represent the principal risks inherent when considering an investment in the Bonds. Additional risks and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

The statements below regarding the risk factors of holding any Bonds may not be exhaustive. In particular, the Bonds contain non-viability loss absorption provisions which if triggered would result in the principal amount in respect of the Bonds being Written-off. Prospective Investors should have sufficient knowledge and expertise to evaluate effect or the likelihood of the occurrence of the Non-Viability Trigger Event for the Bonds which feature loss absorption. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO OUR BUSINESS

Risks Relating to Our Loans, Deposits and Investments

Our business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC.

Our business is inherently subject to global capital market fluctuations and general economic conditions. Global market factors, including economic growth rates, inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending and the volatility and strength of the capital markets all affect the business and economic environment and, ultimately, the amount and profitability of our business. In particular, uncertain economic conditions, volatility and disruptions in global capital markets, such as those that occurred during the 2008 global financial crisis and the ongoing COVID-19 pandemic, can have a material adverse effect on the Group.

The economic recovery since the 2008 global financial crisis has been slow, with economic growth rates in major economies such as Europe, the United States, Japan and the PRC generally remaining persistently lower than pre-crisis levels. Moreover, there are on-going concerns about European sovereign debt levels and the consequences for economic growth and investor confidence in the Eurozone, the prolonged period of uncertainty around the exit of the United Kingdom from the European Union ("**Brexit**"), the China and United States trade wars, the political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States. On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union had a transition period until 31 December 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

On 12 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets. In addition, the PRC regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to business and consumers to combat the challenges arising from the COVID-19 outbreak.

Furthermore, other uncertainties in the global economy and the PRC economy may also adversely affect our business, financial condition and results of operations in many ways, including, among others:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their loan repayments or other obligations to us, which, in turn, could result in a higher level of NPLs, allowances for impairment losses and write-offs;

- the increased regulation and supervision by the financial services industry in response to the financial crisis in certain jurisdictions where we operate may restrict our business flexibility and increase our compliance costs;

- the value of our investments in the equity and debt securities issued by overseas governments and financial institutions may significantly decline;

- our ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect our business prospects.

Any potential market and economic downturns, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. In addition, global economic uncertainty and the slowdown in PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. We cannot predict whether or when such actions may occur, nor can we predict what ultimate impact, if any, such actions or any other governmental actions could have on our business, results of operations and financial condition. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. If further economic downturn occurs or continues, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to maintain effectively the quality of our loan portfolio.

During the three years ended 31 December 2018, 2019 and 2020, we experienced continued growth in our loan balances. Our total loans and advances to customers increased from RMB15,419.9 billion as at 31 December 2018 to RMB16,761.3 billion as at 31 December 2019 and further increased to RMB18,624.3 billion as at 31 December 2020. As at 31 December 2018, 2019 and 2020, our NPLs amounted to RMB235.1 billion, RMB240.2 billion and RMB294.0 billion, respectively, representing NPL ratios of 1.52 per cent., 1.43 per cent. and 1.58 per cent., respectively.

We cannot assure you that the quality of our existing or future loans to customers will not deteriorate. Deterioration in the overall quality of our loan portfolio or other assets may occur due to a variety of reasons, including factors beyond our control such as a slowdown in the growth of the PRC or global economies, a recurrence of the global credit crisis, other adverse macroeconomic trends in the PRC and other parts of the world and the occurrence of natural disasters, which may adversely affect the businesses, operations or liquidity of our borrowers or their ability to repay their debt. Any significant deterioration in our asset quality may lead to increases in our NPLs and allowances made for NPLs, which may have a material adverse effect on our business, financial condition and results of operations.

We may suffer actual losses on our loan portfolio that exceed our allowances for impairment losses.

We are required to maintain a minimum level of allowances for impairment losses on loans as compared to our total NPLs (known as a "**Bad Loans Coverage Ratio**"). The Administrative Measures for the Loan Loss Reserves of Commercial Banks issued by the CBRC on 27 July 2011 (the "**Administrative Measures**") set forth a minimum standard for basic Bad Loans Coverage Ratio of 150 per cent. which applied with effect from 1 January 2012. The Administrative Measures also provided that such ratio may be adjusted by the CBIRC in response to the prevailing macroeconomic environment or individually adjusted and applied to a relevant bank depending on such bank's operating conditions. Accordingly, the actual Bad Loans Coverage Ratio applicable to the Bank from time to time may be different from the ratio published under the Administrative Measures. The CBIRC issued the Notice on Adjusting the Regulatory Requirements for the Loan Loss Reserves of Commercial Banks (關於調整商業銀行貸款損失準備監管要求的通知) in 2018, which adjusted the minimum standard for basic Bad Loans Coverage Ratio from 150 per cent. to a range from 120 per cent. to 150 per cent.

As at 31 December 2018, 2019 and 2020, our allowance to NPLs was 175.76 per cent., 199.32 per cent. and 180.68 per cent., respectively. Whilst the Bank's current level of allowance to NPLs is above the regulatory requirement applicable to the Bank, there have been instances in the past (for instance, our allowance to NPLs as at 31 December 2016 was 136.69 per cent.) where our allowance to NPLs fell below the then prevailing minimum requirement, as prescribed under the Administrative Measures.

In accordance with the Administrative Measures, a warning can be issued by the CBIRC to a relevant bank if such Bad Loans Coverage Ratio is below the applicable level for three consecutive months, requesting for such bank's rectification; if this persists for at least six consecutive months, the CBIRC may impose on the relevant bank administrative and regulatory measures as provided under the Banking Industry Supervision and Administration Law of the PRC. Although as at the date of this Offering Circular, we have not received any official warning from the CBIRC or any other relevant authority in the PRC in relation to the historical level of our Bad Loans Coverage Ratio, there is no assurance that our Bad Loans Coverage Ratio will not fall below the then applicable minimum standard for basic Bad Loans Coverage Ratio applicable to the Bank from time to time or that we will not receive any notification or warning from the CBIRC in the future.

The amount of our allowances for impairment losses on loans is determined based on our assessment of factors that may affect the quality of our loans. These factors include, among others, our borrowers' financial conditions, their repayment ability and repayment intention, the current realisable value of any collateral, the ability of the guarantors of our borrowers to fulfil their obligations, the performance of the PRC's economy, the PRC government's macroeconomic policies, interest rates, exchange rates and the legal and regulatory environment. Most of these factors are beyond our control. The adequacy of our allowances for impairment losses depends on the reliability of, and our skills in applying, our assessment system to estimate these losses, as well as our ability to accurately collect, process and analyse relevant statistical data.

If our assessment of or expectations concerning the impact of these factors on the quality of our loans is different from actual developments or our loan quality deteriorates more than expected, then the allowances for impairment losses on loans provided by us may not be sufficient to cover actual losses. Consequently, we may need to make additional provisions for impairment losses in the future, which could lead to a decrease in our profit and materially and adversely affect our business, financial condition and results of operations.

We have a concentration of loans to certain industries and customers, including loans to small and micro enterprises and medium-sized enterprises.

As at 31 December 2018, 2019 and 2020, our corporate loans represented 61.0 per cent., 59.4 per cent. and 59.6 per cent. of our total loans, respectively. As at 31 December 2020, our domestic branches' corporate loans to the (i) transportation, storage and postal services, (ii) manufacturing, (iii) leasing and commercial services, (iv) water, environment and public utility management, (v) production and supply of electricity, heat, gas and water , (vi) real estate and (vii) wholesale and retail represented approximately 25.2 per cent., 15.9 per cent., 14.8 per cent., 11.8 per cent., 10.2 per cent., 7.2 per cent. and 4.5 per cent., respectively, of our total domestic branches' corporate loans.

We are also exposed to the real estate sector through our residential mortgage loans and corporate loans in the real estate sector. As at 31 December 2020, our residential mortgages grew by RMB562,036 million or

10.9 per cent. as compared to 31 December 2019. The PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating, such as setting minimum down payment requirements and minimum mortgage rates on residential housing purchases, imposing value added taxes on the transfer of certain residential properties and levying mandatory personal income tax for second home sales. Such measures may adversely affect the growth of our loans related to real estate. Recently, the PRC government has loosened lending policies regarding the real estate market, although such policies are subject to change. In addition, a downturn in the PRC's real estate market may materially and adversely affect the quality of our existing loans and our ability to generate new loans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Moreover, there has been an increase in our balance of inclusive finance loans to small and micro enterprises and medium-sized enterprises as at and for the year ended 31 December 2020 by RMB 273,706 million or 58.0 per cent. to RMB 745,227 million as compared to 31 December 2019. The business operations of small and micro enterprises and medium-sized enterprises may be less stable than large enterprises and more vulnerable to adverse changes in the economic environment. Small and micro enterprises and medium-sized enterprises may also be more likely to suffer from inadequate or ineffective internal control or risk management systems. These factors may increase the credit risk of loans to small and micro enterprises and medium-sized enterprises.

In particular, the PRC regulators have encouraged financial institutions to increase lending to small and medium-sized enterprises by lowering loan rates and increasing the amounts these enterprises could borrow. However, small and medium-sized enterprises are more vulnerable to fluctuations in the macro-economy and the adverse impact brought by major economic crisis or regulatory changes. In addition, these enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its small and medium-sized enterprise clients are affected by major economic crisis or regulatory changes. As a result, this may have an impact on our overall risk profile and quality of the loan portfolio, which could in turn materially and adversely affect our business, results of operations and financial condition. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the global markets and provide liquidity easing to the markets. However, there is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives. As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatility which may adversely affect the Bank, its business and financial condition and prospects.

As at 31 December 2018, 2019 and 2020, the total amount of loans granted to our single largest customer accounted for 3.8 per cent., 3.1 per cent. and 3.5 per cent., respectively, of our net capital, while the total amount of loans granted to our top ten largest customers accounted for 12.9 per cent., 12.6 per cent. and 14.8 per cent., respectively, of our net capital.

Any deterioration in any of the industries in which our loans are concentrated due to an adverse macroeconomic environment, government policies, overcapacity of such industries or otherwise, or any deterioration in the financial condition or results of operations of our major borrowers could materially and adversely affect the quality of our existing loans and our ability to generate new loans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks caused by any deterioration in the debt repayment abilities of local government financing vehicles to which we extend loans or any change in national policy relating to local government financing vehicles.

Loans extended to government financing vehicles in the PRC constitute part of our loan portfolio. According to Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Local Government Financing Vehicles, local government financing vehicles ("**LGFVs**") refer to economic entities that are established by local governments and the departments and institutions thereof through financial appropriation or injection of land or equity or other assets, which undertake financing functions of government investment projects, and enjoy independent legal person status. Except otherwise provided by laws and the State Council, local governments at all levels and the departments and institutions thereunder and the public institutions that mainly depend on financial appropriation for budget subsidy may not provide guarantee for LGFVs with financial income or the state-owned assets of administrative institutions and other institutions or in other direct or indirect forms.

Our loans to LGFVs are mainly made to the investment and financing vehicles of various development zones, state-owned asset management companies and urban construction investment companies. Most of these loans were made to financing vehicles at a provincial and municipal level. In recent years, with the aim of reinforcing the risk management of loans to LGFVs, the State Council, the CBRC and the PBOC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to LGFVs.

Certain factors, such as unfavourable developments in macroeconomic conditions, changes to state policies, deterioration of the financial condition of particular local governments or other factors, may adversely affect the debt repayments of these financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations.

We may not be able to maintain the growth of our loan portfolio.

Our loans and advances to customers before provision have grown significantly in the past few years, having increased from RMB15,419.9 billion as at 31 December 2018 to RMB16,761.3 billion as at 31 December 2019 and further increased to RMB18,624.3 billion as at 31 December 2020. The growth of our loan portfolio may be affected by various factors, such as the PRC's macroeconomic policies and capital constraints. In the future, the growth rate of our loan portfolio may slow down, or the balance of our loan portfolio may even decline. In addition, in response to constraints on our regulatory capital, we may adopt strategies to reduce our reliance on our loan portfolio and expand our activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact the growth of our loan portfolio and thereby materially and adversely affect our business, financial condition and results of operations.

We may not be able to maintain the growth rate of our retail banking business.

As a leading commercial bank in the PRC, we may not be able to maintain our competitive position or sustain our growth rate due to the increasing market saturation and competition, changes in government regulations in the banking industry in the PRC and other factors, any of which may adversely affect our business, financial condition and results of operations.

For example, on 26 February 2013, the State Council promulgated the Notice of the General Office of the State Council on Continuing Regulation and Control of Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which requires banking institutions to implement differentiated housing credit policies, further implement the policy of down payment ratio and mortgage rate for first-time house buyers and tighten the credit policies for buyers of second or additional homes, and imposes a personal income tax on the profit generated from sale of residential property. Such measures may slow down the development of the residential real estate market in the PRC, hinder an increase in residential mortgages and reduce the average amount of residential mortgages, and thus have a material adverse impact on our retail banking business. Since 2017, the PRC government has been favouring the position that householding shall be for residential purposes instead of speculative investment. It has accordingly regulated the real estate markets based on different development stages of different cities and took the responsibilities as regulating local authorities. As a result, the residential property market in the PRC has slowed down significantly and the housing mortgage business developed in a stable manner with a decreasing trend.

The rapid expansion of our retail banking business also increases our exposure to changes in economic conditions affecting PRC consumers. For example, a slowdown in the PRC's economic development could adversely affect the ability of retail borrowers and credit card holders to make payments, thereby increasing the probability of defaults and reducing the demand for retail loans and credit cards. Such a slowdown may also reduce the demand for our non-interest-based products and services, which could result in a reduction in, among others, our credit card transaction volumes and sales of investment products. Accordingly, economic difficulties in the PRC that have a material adverse effect on PRC consumers could materially and adversely affect our business, financial condition and results of operations.

Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

We classify our loans using a five-tier classification system in accordance with the guidelines set forth by the PRC regulators. The five tiers are "pass", "special mention", "substandard", "doubtful" and "loss". Our loan classification system may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classifications may reflect a different degree of risk from those that would be reported by banks incorporated in those other countries or regions. Since we adopted IFRS 9 on 1 January 2018, we assess our impairment losses on loans and determine a level of allowances for impairment losses based on expected credit loss methodology under IFRS 9 for loans measured at amortised cost and at fair value through other comprehensive income. Our provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IFRS 9. As a result, our allowance for impairment losses, as determined under the provisioning policies, may differ from those that would be reported by banks incorporated in those other countries or regions. If our approach to provisioning policies and/or loan classification proves not to be adequate, our business, financial position, results of operations and reputation may be adversely affected.

Changes in major accounting policies.

On 1 January 2019, the Group adopted IFRS 16. The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The corresponding financial information as at and for the year ended 31 December 2018 included in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 has not been restated. The financial information of the Group as at and for the year ended 31 December 2018 included in this Offering Circular may not be directly comparable with the financial information of the Group as at and for the years ended 31 December 2019 and 2020 and the financial information of the Group as at and for the six months ended 30 June 2021. For the impact of the adoption of IFRS 16 on the Bank, please refer to Note 2(3) "Basis of Preparation – Change in accounting policies – IFRS 16 "Leases"" of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 incorporated by reference in this Offering Circular.

The collateral or guarantees securing our loans may not be sufficient, or we may be unable to realise the full value of the collateral or guarantees in a timely manner or at all.

A significant portion of our loans is secured by collateral or guarantees. As at 31 December 2020, 46.8 per cent. and 7.5 per cent. of our total loans were secured by mortgages and pledges, respectively, and 12.1 per cent. of our total loans were secured by guarantees. The remainder of our loans as at 31 December 2020 were unsecured loans.

The pledged collateral securing our loans includes, among others, bond and equity securities. The mortgages securing our loans primarily comprise real properties and other assets. The value of the collateral securing our loans may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the economy of the PRC. For example, a downturn in the PRC's real estate market may result in a decline in the value of the real properties securing our loans to levels significantly below the outstanding principal and interest balances of such loans. Any decline in the value of such collateral may reduce the amounts we can recover from such collateral and increase our impairment losses. We may not have updated valuations of such collateral, which may adversely affect the accuracy of our assessment of our loans secured by such collateral.

Some of the guarantees securing our loans are provided by the borrowers' affiliates or third parties. Some of such loans and advances are not backed by collateral other than guarantees. A significant deterioration in the financial condition of a guarantor could significantly decrease the amounts we may recover under such guarantees. Moreover, we are subject to the risk that a court or other judicial or government authority may declare a guarantee to be invalid or otherwise decline or fail to enforce such guarantees. We are therefore exposed to the risk that we may not be able to recover all or any part of the amounts guaranteed in respect of our loans.

In the PRC, the procedures for liquidating or otherwise realising the value of non-cash collateral may be protracted, and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral securing NPLs. If the value of our collateral decreases to a level that is insufficient to cover the outstanding amounts of loans, or if we are unable to realise the full value of the collateral and guarantees securing our loans on a timely basis, it may materially and adversely affect our asset quality, financial condition and results of operations.

Other Risks Relating to Our Business

We are subject to interest rate risk.

Similar to many other PRC commercial banks, our net interest income contributes significantly to our operating revenue. For the years ended 31 December 2018, 2019 and 2020, our net interest income accounted for 82 per cent., 81 per cent. and 81 per cent. of our operating income, respectively. Our net interest income and net interest margin vary with the changes in the interest term structure of our asset and liability business. When the interest rate fluctuates, due to the different timings for re-pricing of different financial instruments, the timing for debt interest rate re-pricing is earlier than that of the asset interest rate when interest rate increases and vice versa. As a result, our net interest rate may decrease or the interest margin may be narrowed. When the pricing benchmark interest rates are different, the inconsistent changes in the in the benchmark interest rates, the holding of option derivatives or financial instruments with options and the changes in credit spread due to the changes in market's assessment of the credit quality of financial instruments could all give rise to the above-mentioned risks.

With the development in the financial market reforms and the marketisation of interest rates, the fluctuations in the deposit and loan business increases and the impact of the interest rate risks on our overall operation increases. In terms of deposit business, the PBOC removed the restriction imposed on the higher limit for the floating interest rate on 24 October 2015. The pressure on controlling costs of liability business increased due to the competition in the PRC's banking industry. In terms of loan business, on 17 August 2019, the PBOC issued a bulletin on reforming and improving the loan prime rate ("**LPR**") calculation mechanism and further promoted pricing benchmark conversion of existing loans since 2020. LPR pricing changes more frequently and does not match the changes in benchmark deposit rate, therefore the impact of the gap risk and benchmark risk on operations increases. In addition, customer behaviours under different interest rate cycles such as prepayment of loan or early withdrawal of deposits will increase the uncertainty in the cashflow of our assets and liabilities which will change the level of interest income of interest-bearing assets and the cost of interest-bearing liabilities which will give rise to changes in net interest income and net interest margin. For instance, if the LPR pricing decreases, the profits derived from loan business will decrease which will cause customers to prepay their existing loans and reapply for new loans and the level of interest income of asset business will be affected. If the benchmark deposit rate does not decrease accordingly, the cost of liability business will keep increasing which will squeeze the net interest margin. In this case, in order to alleviate the impact of interest risks, mismatch of interest rates on the assets and liabilities needs to be reallocated and the pricing mechanisms need to be optimised. There is however no assurance that such mechanism would be effective to eliminate all or any of the interest risks.

We are also engaged in trading and investment activities involving some financial instruments in the domestic market, which mainly involves primary financial instruments in the currency market and bond market and the scale of our trading and investment in derivatives is small. Since the interest rates in the currency market and bond market are mainly depend on the supply and demand in the market and expectations, the interest rates fluctuate greatly. The interest income of financial instruments and changes in their value are uncertain. The negative movements in the interest rates will cause loss in the interest margin or decrease in value of fixed income products and will have negative impact on financial condition and economic value of equity. When holding financial instruments measures at fair value, if the market interest goes up, the value in financial instruments will go down which will cause their equity value or spread to go down.

We are subject to currency risk.

We are subject to currency risk arising from losses incurred due to unfavourable exchange rate fluctuations on our foreign exchange exposures resulting from the unmatched currency structure between foreign currency-denominated assets and foreign currency-denominated liabilities. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other factors, changes in the PRC's and international political and economic conditions.

Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2 per cent. against the U.S. dollar. In August 2008, the PRC announced a further change in its exchange regime to a managed floating exchange rate regime based on market supply and demand. Since the Renminbi foreign exchange rate reform beginning on 21 July 2005, the PBOC has adjusted the daily floating band of the Renminbi trading prices against the U.S. dollar in the inter-bank spot foreign exchange market three times: effective from 21 July 2007, the daily floating band of the Renminbi trading prices against the U.S. dollar was expanded from 0.3 per cent. to 0.5 per cent.; effective from 16 April 2012, such floating band was further expanded to 1 per cent.; and effective from 17 March 2014, such floating band was further expanded to 2 per cent. The PRC government may make further adjustments to the exchange rate system in the future. Any appreciation of Renminbi against the U.S. dollar or any other foreign currency may result in a decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of Renminbi may adversely affect the value of our assets in Renminbi terms.

We are subject to liquidity risk.

Customer deposits have historically been our main source of funding. As at 31 December 2018, 2019 and 2020, 48.3 per cent., 48.1 per cent. and 50.3 per cent. of our total customer deposits were demand deposits respectively. If a substantial portion of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, we may need to pay higher costs to obtain alternative sources of funding to meet our funding requirements. Our ability to obtain additional sources of funding may be affected by factors such as deterioration of market conditions and disruptions to financial markets. We may not be able to secure required funding on commercially acceptable terms on a timely basis or at all, which could result in liquidity risk and materially and adversely affect our business, financial condition and results of operations.

In addition, we rely on the inter-bank money market to obtain a portion of our funding, including the portion of funds that are used to manage our liquidity. Any fluctuation in liquidity or funding costs on the inter-bank money market, including as a result of a financial or other crisis or changes in the PBOC's policies or practises affecting the liquidity of other banking institutions, may materially and adversely affect our ability to fund our business and manage our liquidity through the inter-bank money market.

We are subject to risks related to the expansion of our products, services and business scope.

In recent years, we have actively developed a number of new products and expanded the scope of our services, including, among others, investment banking, asset management, insurance and financial leasing. We are exposed to a number of risks in connection with our expansion. For example, we may not be able to develop successfully our new businesses due to our limited experience in a particular product or service; the anticipated market demand for our new products or services may not materialise; we may not successfully hire or retain personnel who have the relevant skills and experience; and regulators may revoke or withhold their approval for any products and services that we have offered or plan to offer. As a result, the return on our new products, services or businesses may be less, or realised later, than expected, which may materially and adversely affect our business, financial condition and results of operations.

We have expanded our business into jurisdictions other than the PRC, which has increased the complexity of the risks that we face.

In recent years, we have taken actions to expand our international operations. As at 31 December 2020, we had 426 institutions in 49 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group Limited. The Bank also maintained 124 institutions in 21 countries and regions along the "Belt and Road" as at 31 December 2020. Our expansion into jurisdictions outside of the PRC subjects us to new regulatory and operational challenges and risks and has also increased the complexity of our risks in a number of areas, including credit and liquidity risk, interest rate risk, market and country risk, reputational risk and operational risk. The loan portfolio of our international branches includes foreign currency-denominated loans to Chinese companies engaged in international trade. This exposes us to additional risks including default risk resulting from a failure in the performance of the import or export agreements by any party, trade protectionist measures or other factors, and our inexperience in various aspects of the economic and legal framework in overseas markets. Adverse market conditions in these international jurisdictions may result in mark-to-market and realised losses on the investment assets held by our overseas branches and increase their cost of funding.

Furthermore, despite our best efforts to comply with all applicable regulations in the jurisdictions in which we operate, there may be incidences of our failure to comply with the regulations in certain jurisdictions. Regulators in these jurisdictions may have the power to bring administrative or judicial proceedings against us or our employees, representatives, agents and third-party service providers, which could result in, among others, suspension or revocation of one or more of our licences, cease and desist orders, fines, civil penalties, criminal penalties, economic or other sanctions or other disciplinary actions.

In addition, the volatility in the global economic and financial systems in recent years has led and may in the future lead to significant regulatory changes in various jurisdictions, including those in which we have operations. These changes may include those with respect to capital and liquidity ratios, cross-border capital flows and consumer protection. The extent and impact of such changes is difficult to anticipate and estimate, and such changes could have an adverse impact on our growth, capital adequacy and profitability. If we are unable to manage the risks resulting from our international expansion, our business, financial condition and results of operations may be materially and adversely affected.

We have been increasingly focused on the development of wealth management products in recent years, and we are subject to risks relating to adverse developments or changes in regulatory policies relating to these products.

In recent years, growth of deposits in the PRC banking industry has begun to slow down as progress has been made in terms of interest rate liberalisation, financial disintermediation and financing channel expansion. In response to such developments, PRC commercial banks, including the Group, provide wealth management and other financial services through their wealth management businesses. For the years ended 31 December 2018, 2019 and 2020, the net fee and commission income generated from personal wealth management and private banking services amounted to RMB27,596 million, RMB27,337 million and RMB29,630 million, respectively. Additionally, for the years ended 31 December 2018, 2019 and 2020, the net fee and commission income generated from corporate wealth management services amounted to RMB14,582 million, RMB14,024 million and RMB15,554 million, respectively.

Our wealth management products primarily represent investments in, among others, bonds, deposits and highly liquid money market investment instruments, other debt instruments, equity instruments and other types of assets that are compliant with regulatory requirements. As most of the wealth management products issued by us are non-principal protected products, we are not liable for any loss suffered by investors in these products. However, to the extent investors suffer losses on these wealth management products, our reputation may be severely damaged, and we may also suffer a loss of business, customer deposits and net income. Furthermore, we may eventually bear losses for non-principal protected products if the investors bring lawsuits against us and the court decides that we are liable for mis-selling such products or otherwise.

PRC regulatory authorities have introduced regulatory policies to restrict the scale of PRC commercial banks' investments in non-standard debt-based assets with funds raised from wealth management products. If PRC regulatory authorities further restrict the wealth management business of PRC commercial banks, it could materially and adversely affect our business, financial condition and results of operations.

We are subject to risks associated with off-balance sheet credit commitments and guarantees.

Our off-balance sheet credit commitments and financial guarantees primarily consist of, inter alia, bank acceptances, loan commitments, guarantees and letters of credit. As at 31 December 2019, our credit risk-weighted amount of credit commitments was RMB1,306.8 billion, and our credit commitments amounted to RMB2,963.1 billion. As at 31 December 2020, our credit risk-weighted amount of credit commitments was RMB1,106.4 billion, and our credit commitments amounted to RMB2,711.5 billion. We are exposed to credit risk related to such credit commitments and guarantees. If our customers cannot perform their obligations, we will need to fulfil the related commitments and guarantees. In addition, if we cannot obtain compensation from relevant customers, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks associated with our risk management and internal control policies and procedures.

We have been proactively implementing our risk management system and improving our risk management and internal control capabilities. Nonetheless, our risk management and internal control capabilities are limited by the information and risk management tools or technologies available to us. Our ability to implement and maintain strict internal control may be affected by our expansion in business scale and business scope. We cannot assure you that all of our employees will always comply with our internal control policies and procedures. If there are any deficiencies in our risk management and internal control policies and procedures, we may be subject to credit risk, liquidity risk, market risk, operational risk or reputational risk, which may materially and adversely affect our business, financial condition and results of operations.

We are subject to operational risks and risks relating to our information technology systems.

According to the seven categories of operational risks classified by Basel III, we are subject to operational risks such as internal and external fraud, risks related to customers, products and business activities, execution risks, closing and process management risks, employment system and workplace safety, damage to physical assets and risks related to information technology systems.

We have established a series of policies and procedures to identify, assess, monitor, manage and report operational risks according to the "Guidance to the Operational Risk Management of Commercial Banks" (商業銀行操作風險管理指引) issued by the CBRC. Operational failures may cause losses to us if these measures are not put in place effectively or do not adequately cover all aspects of our operations.

We depend on our information technology systems to process accurately a large number of transactions on a timely basis and to store and process most of our data regarding our business and operations, which include our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our various branch outlets and our main data processing centre. We have adopted a number of technical measures and management initiatives to ensure the secure and reliable operation of our information systems. We have also proactively developed information security protection initiatives. However, if a portion or all of our information technology systems malfunction due to any defect in software or hardware or any deficiency in our information security protection (including any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment), or we fail to effectively improve or upgrade our information technology systems on a timely basis, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities.

We are required to comply with applicable laws and regulations relating to anti-money laundering and anti-terrorism in the PRC and other jurisdictions where we operate. Save as disclosed below, we are not currently aware of any money laundering or other major illegal or improper activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you such activities will not take place in the future or that we can completely eradicate money laundering activities, activities carried out by terrorists and terrorist-related organisations or other improper activities carried out by organisations or individuals through the Group and certain entities within the Group have been (and may in the future be) subject to fines and other sanctions in respect of such activities. As we have many branches in the PRC and elsewhere, our employees or third parties that are subject to the Bank's policies may from time to time be involved in improper conduct. In such situations where such improper conduct is discovered or known, such activities will be handled in accordance with the internal policies of the Bank, and if required, by the applicable authorities under the applicable laws, regulations or public policy.

Industrial and Commercial Bank of China (Europe) S.A. ("**ICBC (Europe)**"), a wholly-owned subsidiary of the Bank, together with ICBC (Europe)'s Spain Branch, have cooperated with the Spanish civil department authorities in investigations directed against ICBC (Europe) and the employees of ICBC (Europe)'s Spain Branch. In January 2020, the National Court of Spain had concluded its criminal investigations of ICBC (Europe) and had dismissed all criminal allegations relating to the alleged money laundering activities of ICBC (Europe). In addition, the New York Branch of the Bank, and the Bank itself, are currently cooperating with the Federal Reserve Bank of New York (the "**Federal Reserve**") following the identification by the Federal Reserve of significant deficiencies in the New York Branch's risk-management and money-laundering compliance programmes. We continue to work with all relevant regulatory agencies to ensure compliance with applicable regimes.

If we fail, in a timely manner, to detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies may have the power and authority to impose sanctions on us (including but not limited to fines, revocation of licences and/or other sanctions), which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to detect and prevent all fraud or other misconduct committed by our employees or third parties.

We have continued to strengthen the detection and prevention of fraud or other misconduct committed by our employees or third parties. However, as we have many branches in the PRC and elsewhere, our employees or third parties that are subject to the Bank's policies may from time to time be involved in improper conduct. In such situations where such improper conduct is discovered or known, such activities will be handled in accordance with the internal policies of the Bank, and if required, by the applicable authorities under the applicable laws, regulations or public policy. We also cannot assure you that our internal control policies and procedures will completely and effectively prevent all fraud or other misconduct committed by our employees or third parties. Any fraud or misconduct involving us or our employees may adversely affect our business, financial condition and results of operations.

We are subject to risks related to property title certificates or other licences and certificates.

We own and lease properties in the PRC. For some of the properties we own, we have not obtained building ownership certificates, state-owned land use right certificates or both. For some of the properties we lease, the lessors have not provided us with the relevant title certificates of the property and/or consent letters from the relevant property owners to sublease. Even though we have been provided with written undertakings for some leased properties indicating that the lessors will compensate our potential loss due to defects in relevant property title certificates or the relevant lease agreements contain such undertakings, if we have to relocate our branches or sub-branches due to title defects with regard to properties owned or leased by us, we will incur additional costs relating to such relocation.

In addition, a small number of our branches are currently in the process of applying for new financial licences, business licences and/or other licences due to licence renewal requirements, upgrades of branch offices, changes of name, relocation or changes of business nature. Any failures to receive such licences or delays may have an adverse effect on our business and operations.

We or our customers may be subject to OFAC or other penalties if we are determined to have violated any OFAC regulations or similar sanctions.

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. In addition, our Group may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, our Group may face secondary sanctions if it is determined to be providing material support to countries or entities that are the subject of sanctions. If our Group engages in any prohibited transactions by any means, or if it is otherwise determined that any of our transactions violated OFAC-administered or other sanctions regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks in relation to the bonds issued by Huarong in connection with an extraordinary disposal of certain NPLs.

During the period from 1999 to 2001, we disposed of non-performing assets with a book value of RMB407.7 billion to China Huarong Asset Management Corporation (now known as China Huarong Asset Management Co., Ltd., "**Huarong**") and received 10-year non-transferrable bonds issued by Huarong with a nominal value of RMB313.0 billion (the "**Huarong Bonds**") as well as RMB94.7 billion in cash as consideration. Huarong is a state-owned non-bank financial institution that has been approved by the State Council and was established in October 1999 primarily to acquire and manage non-performing assets from us. The Huarong Bonds have a fixed interest rate of 2.25 per cent. per annum. Huarong has paid interest on the bonds to us in a timely manner in the past pursuant to the terms of the bonds. In addition, the MOF issued a notice on 14 June 2005 to the effect that: (1) with effect from 1 July 2005, in the event of any failure of Huarong to pay for the interest on the bonds in full to us, the MOF will provide financial support; and (2) if necessary, the MOF will provide support for the payment of the principal of the bonds issued by Huarong.

During the period from 2010 to 2011, the Huarong Bonds held by us matured. In accordance with the "Letter from MOF in Respect of the Bonds Issued by Huarong held by Industrial and Commercial Bank of China" (Cai Jin Han [2010] No. 105), the MOF agreed that the term of the Huarong Bonds held by us would be extended for 10 years after their expiration, the terms of the bonds such as the interest rate would remain unchanged and the MOF would continue its support for the principal and interest payments in relation to the Huarong Bonds held by us. After the first extension expired, we received a further notice from MOF that the term of the Huarong Bonds would be extended for another 10 years to 12 December 2031. In 2020, the Bank received a further notice from the MOF to adjust the interest rate of the Huarong Bonds, which will be determined on a yearly basis with reference to the average level of five-year government bond yields in the previous year. As at 31 December 2020, we received accumulated early repayments of RMB222,687 million under the Huarong Bonds.

In consideration of the various investment channels and market returns currently available in the market, there is a certain level of opportunity cost borne by our holding the Huarong Bonds. However, given the large investment size and long investment term of the bonds, if the principal of the Huarong Bonds were to be reallocated, it would be difficult to allocate all the capital to long-term loans. We would only be able to allocate to non-credit exposure assets, with the investment returns limited by the size of the Renminbi bond market. Therefore, we believe the opportunity cost of holding the Huarong Bonds has a relatively small impact on our operations.

The Huarong Bonds are financial bonds placed to us with the approval of the PBOC and were specifically issued for Huarong's acquisition of certain of our non-performing assets. There are no similar bonds in the open bond market, and there is no active market for such bonds. In accordance with the accounting standards applicable to us, due to the lack of available valuation information and an active market and the fixed repayment amounts, we classify the Huarong Bonds as receivables relating to bonds investment and measure them at amortised cost using the effective interest method. Given that the interest on each payment term of the Huarong Bonds has been paid in full and in a timely manner, and that the MOF has provided its support for the principal and interest payment in relation to the Huarong Bonds, there is no event of impairment of financial assets under the applicable accounting standards. As such, we are of the view that the determination of the fair value of the renewed Huarong Bonds at initial recognition met the relevant requirements under the applicable accounting standards. The replacement of the original Huarong Bonds by the renewed Huarong Bonds did not result in a loss on derecognition or an impairment in our financial statements.

We expect that the MOF will perform its obligations as set out in the notices when necessary. However, due to the absence of any precedent for requesting the fulfilment of, or otherwise resorting to other legal procedures to seek the enforcement of, similar undertakings by the MOF or other PRC government authorities, we cannot guarantee any enforcement of such notices by operation of law. In the event of any failure of Huarong to discharge any of its payment obligations relating to such bonds or of the obligations of the MOF in such notices to be enforced by operation of law, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to risks relating to bonds issued by Huijin.

As at 31 December 2020, Huijin directly held 34.71 per cent. of our total combined H Shares and domestic-listed shares (the A Shares, and together with the H Shares and any other ordinary shares of the Bank in issue from time to time, the "**Ordinary Shares**"). In August and September 2010, Huijin issued the Central Huijin Investment Ltd. bonds (the "**Huijin Bonds**") in the national inter-bank bond market.

The CBRC issued the "Letter of Approval from the CBRC on Matters in respect of the Issuance of Renminbi Bonds by Central Huijin Investment Ltd." (Yin Jian Han [2010] No. 285), pursuant to which the CBRC confirmed its treatment of the Huijin Bonds as policy financial bonds, and the risk weight associated with the investment in such bonds by commercial banks is zero. Huijin, on behalf of the State, will use the proceeds raised from such issuance for the purpose of making capital contributions to The Export-Import Bank of China and China Export & Credit Insurance Corporation and supplementing our capital and the capital of Bank of China Limited and China Construction Bank Corporation.

We subscribed for the Huijin Bonds by way of tender in the open market. As at 31 December 2020, we held an amount of RMB71,389 million face value of the Huijin Bonds, with terms ranging from 3 to 30 years and coupon rate from 2.15 per cent. to 5.00 per cent. per annum. In the event of any failure of Huijin to discharge any of its payment obligations relating to such bonds or of the obligations in such letter to be enforced by operation of law, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to reputational risks related to our business operations.

With the rapid development of the financial industry and changes in media communication, the public is paying increasing attention to the banking industry, resulting in easier and more frequent access to rumours related to banks' services quality, their operations and management and compliance issues. Such coverage may lead to negative feedback from depositors, investors and other shareholders, which may adversely affect our normal operations and management, and could adversely affect our liquidity if such negative coverage leads to depositors and other banks withdrawing their funds or refusing to lend to us. Within the banking industry, the banks have close interbank relationships with one another, and interbank deposits and lending are relatively common. If a bank does not operate properly or becomes insolvent, a chain reaction may occur, which may trigger a confidence crisis towards the whole banking industry, and materially and adversely affect our financial condition and results of operations.

We are subject to counterparty risks in our derivative transactions.

We act primarily as an intermediary in domestic and international foreign exchange and derivative markets, and we currently have exchange rate contracts, interest rate contracts and commodity derivatives contracts with a number of domestic and international banks, financial institutions and other entities. As a result, we are subject to credit risk from our various counterparties. As at 31 December 2020, the notional amount of our outstanding derivative financial instruments amounted to RMB8,784,445 million, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB48,896 million and RMB51,690 million, respectively, and the net derivative assets and net derivative liabilities were RMB37,045 million and RMB39,839 million, respectively.

Although we cautiously evaluate the credit risks from our counterparties in our derivative transactions and believe that the overall credit quality of our counterparties is adequate, there can be no assurance that parties with significant risk exposure will not have difficulty in fulfiling derivative contracts that may cause losses for us.

Due to restrictions in certain PRC regulations, our investments are concentrated in certain types of investment products, we may experience significant decreases in the value of a particular type of investment.

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC government bonds, bills and open market instruments issued by the PBOC, bonds issued by PRC policy banks and credit products issued by PRC financial and non-financial institutions (including bonds and subordinated notes issued by PRC commercial banks and insurance companies). These restrictions limit our ability to diversify our investment portfolio and seek higher returns by making investments comparable with those of banks in other countries as well as our ability to manage our liquidity in the same manner as banks in other countries. In addition, we are exposed to a certain level of risk as a result of the concentration of our RMB-denominated fixed income securities investments. For example, fluctuation in interest rates or deterioration of the financial condition of the issuers of such fixed income securities may cause their value to decrease. A decrease in the value of any of these types of investments could have a material adverse effect on our business, financial condition and results of operations.

The banking industry is subject to extensive regulation, which is undergoing major changes that will impact our business.

Like other major banks, we are subject to extensive regulation by regulators and exchanges in each of the major markets where we conduct our business. These laws and regulations significantly affect the way we do business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments.

In response to the financial crisis, legislators and regulators around the world have adopted, continue to propose and are in the process of adopting, finalising and implementing a wide range of financial market reforms that are resulting in major changes to the way our global operations are regulated and conducted. In particular, as a result of these reforms, we are, or will become, subject to (among other things) significantly revised and expanded regulation and supervision, more intensive scrutiny of our businesses and any plans for expansion of those businesses, new activities limitations, a systemic risk regime that imposes heightened capital and liquidity requirements and other enhanced prudential standards, new resolution regimes and resolution planning requirements, new restrictions on activities and investments imposed by Section 619 of the Dodd-Frank Act (such statutory provision together with such implementing regulations, the "**Volcker Rule**"), and comprehensive new derivatives regulation. While certain portions of these reforms are effective, others are still subject to final rulemaking or transition periods. Many of the changes required by these reforms could materially impact the profitability of our businesses and the value of assets we hold, expose us to additional costs, require changes to business practises or force us to discontinue businesses, adversely affect our ability to pay dividends and repurchase our stock, or require us to raise capital, including in ways that may adversely impact our shareholders or creditors. While there continues to be uncertainty about the full impact of these changes, we are and will continue to be subject to a more complex regulatory framework and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

RISKS RELATING TO THE BANKING INDUSTRY

The Financial Institutions (Resolution) Ordinance may adversely affect the Bank

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the Bank, Hong Kong branch of the Bank, ICBC (Asia) and other licenced institutions of the Bank in Hong Kong (a "**FIRO Group Entity**"). 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 authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority will have the ability to resolve other entities within the Bank as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the Bank. In addition, the relevant resolution authority is 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.

The implementation of FIRO remains untested and certain details relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

We face increasingly intense competition in the PRC's banking industry and competition from other investment and financing channels.

The banking industry in the PRC is becoming increasingly competitive. We face competition from commercial banks in all of our principal areas of business where we have operations. On 1 July 2013, the General Office of the State Council of the PRC issued the Guidance Letter regarding Financial Support for Promoting Economic Restructuring and Transformation (國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見) (the "**Guidance Letter**"). The Guidance Letter, among others, encourages investment by private-sector capital in financial institutions and the establishment of privately-owned banks. The Guidance Letter provides a policy direction to the increasing involvement of private-sector capital in the financial industry in the PRC. We may face increasing competition from privately owned banks in the future.

We compete with our competitors for substantially the same loan, deposit and fee and commission-based products and services customers. Such competition may materially and adversely affect our business and future prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services and increasing competition for soliciting senior management talent and qualified professional personnel.

In addition, we may face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative ways of financing to fund their capital needs, this may adversely affect our interest income, which could in turn materially and adversely affect our business, financial condition and results of operations.

In addition to competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in the PRC. In recent years, financial disintermediation, which involves the movement of funds by investors from intermediary financial institutions such as savings and deposit-taking banks to direct investments, has increased in the PRC. Our deposit customers may elect to convert their funds into stocks, bonds and wealth management products, which may result in a decrease in our customer deposits, therefore further affecting the level of funds available to us for our lending business to generate net interest income. Meanwhile, financial disintermediation may result in a decrease in the enterprise demand for loans, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to risks related to uncertain changes in the regulatory environment of the PRC's banking industry.

Our businesses are directly affected by changes in the PRC's banking regulatory policies, laws and regulations. The regulatory system and the laws and regulations governing the banking sector are subject to future changes, and we cannot assure you that such changes will not materially and adversely affect our business, financial condition and results of operations.

In addition, our overseas branches, subsidiaries and representative offices have to comply with the local laws and regulations of the relevant jurisdiction and are subject to regulation and approval by the local regulatory authorities in the relevant jurisdiction. We cannot assure you that our overseas branches, subsidiaries and representative offices can always satisfy applicable laws and regulatory requirements. If we do not meet such requirements, our business in the relevant jurisdiction may be affected, which may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks related to changes in monetary policy.

PRC monetary policy is set by the PBOC in accordance with the macroeconomic environment. In addition, the PBOC controls monetary supply through open market operations and adjustments to the deposit reserve ratio and rediscount rate in order to achieve targeted control over the economy. As commercial banks are a major means to implement monetary policy, changes in monetary policy will affect their operations and profitability. If we cannot timely adjust our operating strategy in response to the changes in monetary policy, our business, financial condition and results of operations may be materially and adversely affected.

We cannot provide assurance that we will be able to satisfy the capital adequacy requirements of the CBRC or the CBIRC or as a G-SIB pursuant to Basel III or the proposed total loss-absorbing capacity requirements of the PBOC and the CBIRC, and we are subject to risks related to potential Capital Adequacy Ratio fluctuations.

On 16 December 2010 and on 13 January 2011, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued the final text and guidance on a number of fundamental reforms to the regulatory capital framework (such reforms being commonly referred to as "**Basel III**"). In accordance with Basel III, the minimum Tier 1 Capital Adequacy Ratio has been raised to 6 per cent., while the minimum Core Tier 1 Capital has been raised to 4.5 per cent. (with the CBIRC requiring PRC banks to maintain a higher minimum Core Tier 1 Capital of 5 per cent.), and the minimum total Capital Adequacy Ratio has been raised to 8 per cent. together with an additional 2.5 per cent. capital conservation buffer and a zero to 2.5 per cent. counter-cyclical capital buffer.

Following the issuance of Basel III, on 27 April 2011, the CBRC issued new guidelines setting more stringent capital adequacy, leverage, liquidity and loan loss provisioning requirements for PRC banks in accordance with the reform of the PRC's banking industry and the related regulatory framework. On 7 June 2012, the CBRC further issued the Capital Management Rules which established a unified and comprehensive regulatory system for capital adequacy, re-defined the term "capital", expanded the scope of capital risk coverage and set forth different regulatory requirements for commercial banks with different capital adequacy levels, including the categorisation of regulatory requirements on capital into four levels. The first level requirements set out minimum thresholds, under which the requirements for Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio are set at 5 per cent., 6 per cent. and 8 per cent., respectively; the second level requirements set out the requirements for reserve capital and counter-cyclical capital at 2.5 per cent. and zero – 2.5 per cent., respectively; the third level requirements set out the requirement for globally or domestically systemically important institutions at at least 1 per cent; and the fourth level requirements is in relation to the criteria for the second pillar capital. The Capital Management Rules has set higher requirements for both the quality and quantity of banks' capital and after the implementation of these measures, the definition of capital is more stringent and the regulatory standards for capital instruments are further improved. In addition, the Capital Management Rules set forth a new method for calculating the Capital Adequacy Ratio and provided a transition period for PRC commercial banks to meet their capital adequacy requirements. The Capital Management Rules became effective on 1 January 2013 and it requires commercial banks to meet the regulatory capital adequacy requirements before the end of 2018.

Furthermore, the Financial Stability Board identified us as a globally systemically important bank ("**G-SIB**") on 11 November 2013. As a G-SIB, we are required to satisfy heightened capital adequacy ratios pursuant to Basel III.

In November 2017, the Basel Committee on Banking Supervision further issued new rules on how banks calculate risk-weighted assets, which are expected to be implemented in 2022. The new regulations focus on enhancing the robustness of standard risk-weighted asset calculation models and limiting the scope of use of banks' internal capital models. If the new regulations be implemented and adopted by us, it may further affect our future capital raising plan.

As at 31 December 2020, our core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio, as calculated in accordance with the Capital Management Rules, were 13.18 per cent., 14.28 per cent. and 16.88 per cent., respectively, and satisfied the applicable legal and regulatory requirements and exceeded substantially the relevant requirements. Our capital adequacy ratios are able to support the stable development of our business currently.

We aim to maintain a stable and reasonable capital adequacy level in order to support the implementation of our business development and strategic planning. However, certain adverse changes may lead to fluctuations in our Capital Adequacy Ratio. Such adverse changes include, but are not limited to, an increase of risk weighted assets due to rapid business expansion, an increase of capital-deducting equity acquisitions and investments, potential deterioration in our asset quality, a decline in the value of our investments and an increase in the minimum Capital Adequacy Ratio requirement by the CBIRC, as well as changes in the computational method for Capital Adequacy Ratio applied by the CBIRC. We may be required to raise additional core or supplementary capital in the future in order to meet the minimum CBIRC capital adequacy requirements. To raise additional capital in order to meet the minimum CBIRC capital adequacy requirements, we may need to issue additional equity securities that qualify as core capital or other qualifying instruments. However, our ability to obtain additional capital may be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows; necessary government regulatory approvals; our credit rating; general market conditions for capital-raising activities by commercial banks and other financial institutions; and economic, political and other conditions both within and outside the PRC. We cannot assure you that we will be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. As such, there can be no assurance that we will continue to be able to comply with our capital adequacy requirements.

Furthermore, the CBIRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or Capital Adequacy Ratio, or we may otherwise be subject to new or more stringent capital adequacy requirements. If our Capital Adequacy Ratio does not meet the regulatory requirements, the regulatory authorities may adopt certain corrective measures including, but not limited to, restricting the growth of our risk-bearing assets, suspending all of our operation activities other than low-risk business, as well as restricting our dividend payment, which may materially and adversely affect our business, financial condition and results of operations.

In addition, in September 2020, the PBOC and the CBIRC released the Administrative Measures on Total Loss-Absorbing Capacity of Global Systemically Important Banks (Draught for Comments), setting out the requirements for the ratio, composition, and deduction items of Total Loss-Absorbing Capacity of G-SIBs, etc. If the Administrative Measures on Total Loss-Absorbing Capacity of Global Systemically Important Banks are officially promulgated and implemented, we will need to meet the relevant requirements of the regulations. We cannot assure you that we will be able to satisfy all such total loss-absorbing capacity requirements.

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

PBOC has adopted reform measures to liberalise the PRC's interest rate regime. For example, in October 2004, PBOC eliminated restrictions in respect of the maximum interest rate for Renminbi-denominated loans and the minimum interest rate for Renminbi-denominated deposits. Thereafter, PBOC continued to lower the minimum interest rate for loans on repeated occasions. In June 2012, PBOC adjusted the maximum interest rate for deposits to 110 per cent. of the relevant benchmark deposit rate and the minimum interest rate for loans to 80 per cent. of the relevant benchmark lending rate. In July of the same year, PBOC again adjusted the minimum interest rate for loans to 70 per cent. of the relevant benchmark lending rate. On 20 July 2013, PBOC entirely removed lending rate control by eliminating the minimum interest rate for loans (except for individual residential mortgage loans) and removing controls on bill discount rates. On 25 October 2013, PBOC introduced a new prime lending rate, officially known as the "loan prime rate" ("**LPR**"), which is based on a weighted average of lending rates from nine commercial banks. In recent years, the PBOC has adjusted the benchmark interest rates several times. On 22 November 2014, PBOC lowered the one-year Renminbi benchmark loan interest rate by 0.4 percentage point to 5.6 per cent. and raised the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.75 per cent. On 1 March 2015, PBOC further lowered the one-year Renminbi benchmark loan interest rate by 0.25 percentage points to 5.35 per cent. and lowered the one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 2.5 per cent. On 11 May 2015, PBOC further lowered both the one-year Renminbi benchmark loan interest rate and one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 5.1 per cent. and 2.25 per cent. respectively. On 24 October 2015, PBOC further lowered both the one-year Renminbi benchmark loan interest rate and one-year Renminbi benchmark deposit interest rate by 0.25 percentage points to 4.35 per cent. and 1.5 per cent., respectively. Moreover, the upper limit of the interest rate floating range of the Renminbi-denominated deposits in commercial banks was removed by PBOC on 24 October 2015. In August 2019, PBOC deepened the interest rate liberalisation reform by reforming and improving the formation mechanism of LPR. It required PRC's commercial banks to mainly refer to the LPR as the benchmark in determining the rates of new bank loans. As the existing regulations are substantially liberalised, competition in the PRC's banking industry will likely intensify as the PRC's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by PBOC may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, thereby materially and adversely affecting the Group's business, financial condition and results of operations.

The growth rate of the banking industry in the PRC may not be sustainable.

We expect the banking industry in the PRC to expand as a result of anticipated growth in the PRC's economy, increases in household income, further social welfare reforms, demographic changes and the opening of the PRC's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of the PRC's economic growth, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system, will affect the PRC's banking industry. In addition, the banking industry in the PRC may be affected by systemic risks. Consequently, there can be no assurance that the growth and development of the PRC's banking industry will be sustainable.

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

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

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

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

The effectiveness of our credit risk management is affected by the quality and scope of information available in the PRC.

National credit information databases developed by the PBOC have been operational only since 2006. Due to the short operational history, such databases are not able to provide complete credit information on many of our credit applicants. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. As a result, our ability to manage effectively our credit risk may be adversely affected, which may materially and adversely affect our business, financial condition and results of operations.

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

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

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

Certain facts and statistics and information relating to us are derived from publications not independently verified by us, the Joint Lead Managers or any of their respective directors, employees, representatives, affiliates or advisers.

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable. While reasonable care has been taken to ensure that the facts and statistics or information relating to us presented in this Offering Circular have been accurately extracted from such sources, such facts, statistics and information have not been independently verified by us, the Joint Lead Managers or any of our or their respective directors, employees, representatives, affiliates or advisers; therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE PRC

The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect us.

A substantial part of our revenue is derived from the PRC. We rely, to a significant degree, on our domestic operations to achieve revenue growth. Domestic demand for banking services is materially affected by growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the economic growth in many countries, including the PRC. Although the PRC's economic growth has increased compared to its level immediately after the global financial crisis, it has displayed signs of slowdown as evidenced by a decrease in the growth rate of the PRC's gross domestic product ("**GDP**") in recent years. This was caused by a combination of factors most of which are beyond our control, such as the global economic conditions, governmental policies and changes in market dynamics globally and regionally. In 2018, the PRC Government reported a GDP of RMB91.93 trillion, representing year-on-year growth of 6.7 per cent.; in 2019, the PRC Government reported a GDP of RMB99.09 trillion, representing year-on-year growth of 6.1 per cent.; and in 2020, the PRC Government reported a GDP of RMB101.60 trillion, representing year-on-year growth of 2.3 per cent. according to the statistics released by National Bureau of Statistics of China. Although the PRC Government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective.

Furthermore, the sustained tension between the United States and China over trade policies could undermine the stability of the global economy. The United States and China have recently been involved in disputes over trade barriers that have created trade tensions between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. There are uncertainties as to when and whether the trade disputes will be resolved and trade barriers lifted. All these would add to the uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact to our business, prospects, financial conditions and results of operations.

Turmoil in the financial markets could increase our cost of borrowing and impede access to or increase the cost of financing our operations and investments.

The availability of credit to entities operating within emerging markets, including us, is significantly influenced by levels of investor confidence in such markets as a whole. Any factors that may affect market confidence could affect the costs or availability of funding for entities within emerging markets. Historically, challenging market conditions in emerging markets have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. In 2015, the PRC stock markets experienced significant turmoil and disruption. Throughout June and early July of 2015, the Shanghai Composite Index experienced significant declines and many PRC-listed companies were subject to trading suspensions on major stock exchanges. The PRC government responded by cutting interest rates, suspending initial public offerings and starting investigations into market manipulation in an effort to stabilise the market. Due to its increasing financial reliance upon PRC, Hong Kong's stock markets experienced a similar fluctuation during the relevant times and the Hang Seng Index had a record-breaking slump in a single day in the recent decade. As our shares are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, significant fluctuations in these financial markets could cause substantial adverse effects on our business operations and investments as a whole.

The PRC's economic, political and social conditions, as well as government policies, could affect our businesses.

A substantial majority of our businesses, assets and operations is located in the PRC. Accordingly, our business prospects, financial condition and results of operations are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

In recent years, the PRC government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structures. Such economic reform measures may be adjusted, modified or applied differently depending on the industries and regions of the country. As a result, we may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic controls affecting the PRC's economy. The PRC government has implemented various measures in an effort to control the growth rate of certain industries and restrain inflation. As measured by GDP, the PRC has been one of the world's fastest growing economies in recent years. The PRC's GDP growth was 6.7 per cent., 6.1 per cent. and 2.3 per cent. in 2018, 2019 and 2020, respectively. During the recent global financial crisis and economic slowdown, the growth of the PRC's GDP slowed down. (See "*Risk Factors – Risks relating to the PRC – The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect us*" above.) If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for our customers could negatively impact their ability or willingness to repay our loans and reduce their demand for our banking services. Our business, financial condition and results of operations may be materially and adversely affected.

The PRC legal system could limit the legal protections available to you.

We are organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions that may be cited for reference, and such cases have limited precedent value, as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to you and can adversely affect the value of your investment.

You may experience difficulties in effecting service of legal process and enforcing judgements against us and our management.

We are organised under the laws of the PRC, and a substantial majority of our businesses, assets and operations are located in the PRC. In addition, a substantial majority of our directors, supervisors and executive officers reside in the PRC, and substantially all of their assets are located in the PRC. As a result, it may not be possible to serve legal written process within the United States or elsewhere outside the PRC upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable State securities laws.

The Bank has irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts in the transaction documents relating to the Bonds. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgements in civil and commercial matters (the "**Reciprocal Arrangements**") which allow for a final court judgement (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. However, certain matters may be excluded under the Reciprocal Arrangements and a judgement may be refused to be recognised and enforced by the requested place in certain circumstances such as for public policy reasons or where the judgement was obtained by fraud. As a general matter, a judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention does not currently have any legal effect until it is ratified by the PRC government. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgements of courts with numerous countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Bondholders to enforce any judgements obtained from such foreign courts against us, the Bank or any of their respective directors or senior management in the PRC.

Any future* occurrence *of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including COVID-19, avian influenza, Severe Acute Respiratory Syndrome ("**SARS**"), Ebola virus disease ("**Ebola**"), Middle East Respiratory Syndrome corona virus ("**MERS**"), H5N1 influenza, H1N1 influenza or H7N9 influenza, may adversely affect our business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect our business, financial condition and results of operations. In particular, the on-going COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. There is no assurance that the outbreak will not lead to decreased demand for services the Group provides; nor is there assurance that the outbreak's adverse impact on the PRC economy and the Group's customers will not adversely affect the level of non-performing loans. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the

PRC may adversely affect its economy and in turn our business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of COVID-19, avian influenza, SARS, Ebola, MERS, H5N1 influenza, H1N1 influenza, H7N9 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt our operations or those of our customers, which may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE BONDS

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

The Bonds are offered to Professional Investors only and are not suitable for retail investors. Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors. Each prospective investor of the Bonds must determine the suitability of the investment in light of its own circumstances. In particular, each prospective investor should:

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

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

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

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic return, Distribution yield and other factors inherent in the Bonds that may affect its investment and its ability to bear the applicable risks; and

(vi) have sufficient knowledge and experience (either alone or through a financial adviser) to evaluate the effect or the likelihood of the occurrence of a trigger event which may give rise to losses.

Sophisticated investors generally purchase complex financial instruments as a way to enhance yield by adding understandable, measurable and appropriate risk to their overall portfolios. Prospective investors should not invest in the Bonds unless they have the knowledge and expertise (either alone or through a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting impact to the value of the Bonds and the impact this investment will have on the prospective investors' overall investment portfolios. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives and all the information contained in this Offering Circular.

The Bonds contain non-viability loss absorption provisions which if triggered would result in the principal amount in respect of the Bonds being Written-off.

In compliance with the requirements proposed by the Basel Committee of Banking Supervision (the "**Basel Committee**") to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the "**Basel III Reforms**"), the Bonds contain loss-absorption provisions which require the Bonds to be Written-off (as defined in the Conditions) upon the occurrence of a Non-Viability Trigger Event. Under the Conditions, if a Non-Viability Trigger Event occurs, the Issuer has the right (without any requirement for the consent of the

Bondholders) to irrevocably Write-off (in whole or in part) the principal amount of the Bonds then outstanding, with effect from the next day following the relevant Non-Viability Trigger Event Effective Date (as defined in the Conditions).

A **"Non-Viability Trigger Event"** means the earlier of: (a) the CBIRC having determined that the Issuer will not be able to exist if there is no write-off or conversion of the Issuer's capital; and (b) the relevant regulatory departments having determined that the Issuer will not be able to exist if the public sector does not provide a capital injection or other equivalent support.

As at the date of this Offering Circular, to the Issuer's knowledge, pursuant to Paragraph 2(1) of the CBIRC Guiding Opinions, the "relevant regulatory departments" referred to in paragraph (b) in the definition above are those which may determine whether a public sector injection of capital or equivalent support is necessary and the Issuer may not be able to exist without such capital injection or support, which includes the State Council, the MOF, the PBOC and the CBIRC. In making such determination (regarding paragraph (b) in the definition above), the relevant regulatory departments may consult each other and/or seek joint agreement among themselves. As new regulations, the Capital Management Rules and the CBIRC Guiding Opinions will be subject to interpretation and application by the CBIRC and the other relevant regulatory departments.

Once the principal amount of the Bonds (in whole or in part) has been Written-off, such relevant Written-off portion of the Bonds will not be restored or become payable again (whether in whole or in part) under any circumstances (including where the relevant Non-Viability Trigger Event ceases to continue), and any accrued but unpaid Distribution on such Written-off portion of the Bonds shall cease to be payable. In addition, there will be no compensation in any form to remedy the loss of the Bondholders.

Although the Conditions allow for partial Write-off, there is inherent uncertainty regarding how much the Issuer's regulatory capital needs to be cancelled or converted at the point of non-viability in order for such event to cease if such regulatory capital instrument does not need to be fully cancelled or converted. The amount to be Written-off will be subject to the then laws and regulations and the interpretation and application by the CBIRC and the relevant regulatory departments of such laws and regulations and notwithstanding the provision of partial Write-off in the Conditions, there can be no assurance that the Bondholders will not lose all of their investment in the Bonds when a Non-Viability Trigger Event occurs. In addition, there cannot be any assurance that after a partial Write-off of the Bonds there will not be any further occurrence of a Non-Viability Trigger Event in the future.

If a Write-off occurs at such time as the Bonds are represented by the Global Certificate, such Write-off will be reflected as a reduction in the aggregate principal amount of the Bonds as represented by such Global Certificate by the total amount to be Written-off. In the event of a Write-off in part only, following the reduction in the aggregate principal amount of the Bonds as represented by such Global Certificate, unless the Bank determines otherwise (acting in good faith and having regard to the rules and procedures of Euroclear or Clearstream or any Alternative Clearing System, as the case may be), the principal amount of the Bonds held by each Bondholder will correspondingly be reduced on a *pro rata* basis to the extent practicable, and any excess principal amount held thereafter by a Bondholder that is not wholly divisible by the Calculation Amount for the purposes of voting shall be disregarded.

Although the Issuer has agreed to notify the clearing systems and the Bondholders following the occurrence of a Non-Viability Trigger Event, there will be a delay between a Non-Viability Trigger Event or the Write-off and the time that the clearing systems and the Bondholders via the clearing systems are notified of the occurrence of the relevant event through their clearing systems accounts or otherwise. Such delay may exceed several days during which trading and settlement in the Bonds may continue. Any such delay will not change or delay the effect of a Non-Viability Trigger Event or the Write-off. See "*Terms and Conditions of the Bonds – Subordination and Non-Viability Trigger Event – Write-off on a Non-Viability Trigger Event*".

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

The occurrence of a Non-Viability Trigger Event is dependent on the determination by CBIRC or other relevant regulatory departments. Due to the inherent uncertainty regarding the determination of whether a Non-Viability Trigger Event exists, it will be difficult to predict when, if at all, a Write-off will occur. Accordingly, trading behaviour in respect of the Bonds, which have the non-viability loss absorption feature, may not necessarily due to follow trading behaviour associated with other types of securities. Any indication that a Non-Viability Trigger Event may occur could have an adverse effect on the market price of the Bonds. Potential investors should consider the risk that as a holder of the Bonds, with a non-viability loss absorption feature, it may lose all of its investment in the Bonds, including the principal amount plus any accrued but unpaid Distribution.

In addition, the regulations requiring Write-off of regulatory capital instruments will be subject to interpretation and application by the relevant regulatory departments in the PRC. It is uncertain how the relevant regulatory departments would determine the occurrence of a Non-Viability Trigger Event, and the grounds that constitute a Non-Viability Trigger Event may change (including that additional considerations may be introduced in the future).

A prospective investor should not invest in the Bonds unless itself or its financial advisor has the knowledge and experience required for assessing the merits and risks of investing in the Bonds, the effect and likelihood of a Write-off of the Bonds, as well as the effect of the Bonds on its overall investment portfolio. Prior to making any investment decision, a prospective investor should consider carefully its financial position and investment objectives, and all of the information in this Offering Circular.

Payment of Distribution is subject to restrictions under PRC laws.

Under the Capital Management Rules, any distribution on Additional Tier 1 Capital Instruments (including Distribution on the Bonds) should only be paid out of distributable items. Any distributable items that are not distributed in a given year are retained and are available for distribution in subsequent years. The Company Law and the Capital Management Rules, however, do not expressly define distributable items in the context of an Additional Tier 1 Capital Instrument. Therefore, there are uncertainties in terms of the composition of distributable items in the context of an Additional Tier 1 Capital Instrument. The Bank's distributable items represent the Bank's distributable after-tax profit remaining after making up for previous years' losses, contributing the statutory reserve and making general provision. The Bank's distributable after-tax profit referred to above comes from the undistributed profit stated in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever is lower.

The CBIRC has the discretionary authority to restrict dividend payments and other distributions by any PRC bank that fails to fulfil the capital adequacy ratios requirements, or that has violated certain other PRC banking regulations. There is no assurance that the CBIRC or other relevant authorities will not promulgate new laws or regulations which may redefine the concept of distributable items for an issuer of Additional Tier 1 Capital Instrument and further constrain the Bank's ability to pay Distribution on the Bonds.

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

The Conditions provide the Write-off of the principal amount of the Bonds (in whole or in part) and any write-off or conversion of any other Additional Tier 1 Capital Instruments with the same trigger event and Tier 2 Capital Instruments will take place as follows: (i) the Bonds shall be Written-off concurrently with the write-off or conversion, in accordance with the terms thereof or any applicable laws and regulations, of the principal amount of all other Additional Tier 1 Capital Instruments with the same trigger event; and (ii) the Bonds shall be Written-off before the write-off or conversion, in accordance with the terms thereof or any applicable laws and regulations, of the principal amount of all Tier 2 Capital Instruments.

However, the terms and conditions of other regulatory capital instruments issued by the Issuer and its subsidiaries prior to 1 January 2013 may differ as these instruments would not typically have any conversion or write-off features. In case of the occurrence of a Non-Viability Trigger Event prior to the maturity of such pre-2013 regulatory capital instrument issued by the Issuer, such pre-2013 regulatory capital instruments may not be converted into equity or be written-off even if the Bonds are required to be Written-off.

In addition, the terms and conditions of other Basel III compliant Additional Tier 1 Capital Instruments and Tier 2 Capital Instruments issued by the Issuer may have different write-off or conversion trigger events and different write-off or conversion procedures. Accordingly, such other Additional Tier 1 Capital Instruments or Tier 2 Capital Instruments issued by the Issuer may not necessarily be written-off or converted in accordance with the Write-off sequence set out in the Conditions.

The rate of Dividend will be reset on an applicable Reset Date, which may affect the market value of the Bonds.

The Bonds will initially accrue Distribution at a fixed rate of 3.20 per cent. per annum from and including the Issue Date, to but excluding, the First Reset Date (as defined in the Conditions). In respect of the period from and including, the First Reset Date and each Reset Date (as defined in the Conditions) falling thereafter, to but excluding, the immediately following Reset Date, the annual distribution rate will be reset to a rate per annum being the sum of the Benchmark Rate (as defined in the Conditions) with respect to each Reset Date plus 2.368 per cent. per annum. Any reset rate could be less than the initial distribution rate and this could affect the amount of any Distribution payments under the Bonds and therefore adversely affect the market value of an investment in the Bonds.

The Bonds are undated and are not redeemable at the option of the Bondholders. However, the Bonds may be redeemed at the discretion of the Issuer.

The Bonds will remain outstanding so long as the Issuer continues in operation and therefore the Bonds are undated and have no fixed maturity date. The Bonds are not redeemable at the option of the Bondholders and no Bondholder may request the Issuer to redeem any Bond held by it or request the Issuer to buyback any Bond held by it. Only the Issuer can exercise its right to redeem the Bonds in accordance with the Conditions.

Any Bondholder who wishes to sell its Bonds may be unable to do so at a price at or above the amount it has paid for them, or at all, or may bear higher transaction costs, if insufficient liquidity exists in the market for the Bonds.

In accordance with relevant CBIRC rules, subject to obtaining CBIRC Approval, the Issuer may at its own discretion redeem all or some of the Bonds on a Call Date as long as (i) the Issuer uses capital instruments of the same or better quality to replace the Bonds to be redeemed and such replacement of capital is effected in circumstances where the Issuer has a sustainable income generating capability or (ii) the Issuer's regulatory capital after such redemption will remain well above the regulatory capital requirements prescribed by the CBIRC. Therefore, the Issuer may elect to redeem based on its financial and operation condition and capital adequacy level. However, the Issuer shall not have any obligation to redeem the Bonds and no Bondholder has the right to require the Issuer to redeem such Bonds.

In addition, subject to any applicable regulatory requirements, the satisfaction of the Redemption Conditions (if applicable), and the CBIRC Approval having been obtained, the Issuer may redeem at its option all but not some only of the Bonds at any time (whether before or following the First Call Date) at their principal amount together with any accrued but unpaid Distribution to, but excluding, the date fixed for redemption upon the occurrence of a Regulatory Variation Event. There is no requirement to redeem the Bonds or any other capital instruments of the Issuer and its subsidiaries upon the occurrence of a Regulatory Variation Event.

Also, upon the occurrence of any event giving the Issuer the right to redeem the Bonds early, the Issuer or its subsidiaries, as applicable, may, instead of redeeming the Bonds, choose to redeem other outstanding capital instruments if the terms of those capital instruments so provide.

Prospective investors should consider whether and how to reinvest the proceeds of such redemption in light of other investments available at that time. There can be no assurance that holders will be able to reinvest the redemption proceeds at a rate that will provide the same rate of return as their investments in the Bonds. In addition, the Issuer's redemption option is likely to affect the market value of the Bonds.

The terms of the Bonds may be varied without Bondholder consent.

The Conditions are in compliance with the eligibility criteria of Additional Tier 1 Capital Instruments as set out in the Capital Management Rules and for so long as the Bonds remain outstanding, the Bonds are required to comply with all the applicable requirements of the relevant regulatory policies of the relevant authorities, as such requirements may be adjusted from time to time.

In certain instances, the Issuer could vary the terms of the Bonds and holders may be bound by certain other amendments to the Bonds to which they did not consent. Under the Conditions, the Issuer has the option, subject to and in accordance with any applicable regulatory requirements, to vary the terms of the Bonds so that they remain or, as the case may be, become eligible Additional Tier 1 Capital Instruments upon the occurrence of the Regulatory Variation Event.

No assurance can be given as to whether any such substitution or variation will negatively affect any particular holder. In addition, the tax and stamp duty consequences of holding such varied Bonds could be different for some categories of holders from the tax and stamp duty consequences for them of holding the Bonds.

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

In the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall be subordinated to the claims of depositors of the Issuer, general creditors of the Issuer, holders of Tier 2 Capital Instruments and holders of any other subordinated indebtedness of the Issuer that rank senior to the Bonds; rank in priority to the claims of holders of all classes of share capital of the Issuer; and rank *pari passu* with the claims of holders of any other Additional Tier 1 Capital Instruments that rank *pari passu* with the Bonds. In addition, in the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall rank *pari passu* with the claims of the holders of the Parity Obligations and rank in priority to the claims of the holders of the Junior Obligations.

The ranking of claims set out above applies to all obligations, present or future, issued or guaranteed by the Issuer that rank or are expressed to rank in priority to, junior to or *pari passu* with the Bonds, as the case may be, by operation of law or contract, but at all times subject to such exceptions required by mandatory provisions of applicable laws and regulations.

Other than in the event of a Winding-Up of the Issuer, no Bondholder shall declare any payment of principal or Distribution under the Bonds immediately due and payable.

In the event of a shortfall of funds on a Winding-Up of the Issuer, there is a real risk that an investor in the Bonds will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Bonds. Under the PRC laws and regulations, the prior approval of the CBIRC would need to be obtained in order for a liquidation of a Chinese bank to proceed.

Subject to the compliance with applicable regulatory requirements, the Issuer expects to incur additional indebtedness from time to time and the Conditions do not contain any terms that restrict the Issuer or its subsidiaries from incurring such additional indebtedness.

Distributions on the Bonds are non-cumulative and are discretionary.

The payment of any Distribution on any Distribution Payment Date is subject to the Issuer having distributable items. In addition, subject to the relevant resolution being passed at a general meeting of the shareholders, the Issuer may, in any event, elect to cancel (in whole or in part) any Distribution on the Bonds. The Issuer may at its discretion use the funds arising from the cancellation of such Distribution to repay other debts that are due.

The payments of Distributions are non-cumulative. Under the circumstance where the Issuer cancels a Distribution (in whole or in part) in accordance with such shareholders' resolution and the Conditions, any amount of Distribution that has not been fully distributed to the Bondholders during the current Distribution Period will not be accumulated to the following Distribution Periods.

There can be no assurance that a Bondholder will receive the Distribution payments in respect of the relevant Bonds. If the Issuer's business or financial condition or results of operations deteriorate or the Issuer has insufficient liquidity due to effects of market factors, economic conditions, national policies or its own management, it may affect the Issuer's ability to repay its debts when due and the amount of its distributable items. If the Issuer is unable to pay amounts due on its other debts, subject to a resolution to be passed at a general meeting of the shareholders on each such occasion, the Issuer may elect to cancel (in whole or in part) the Distributions otherwise scheduled to be paid on a Distribution Payment Date in the manner set out in the Conditions. Such cancellation of Distribution shall not constitute a default of the Issuer in any event.

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

The Bonds are newly-issued securities which have limited liquidity.

The Bonds are new securities which have no existing trading market in Hong Kong or elsewhere. They have limited liquidity and may not be widely distributed. The Bonds are designed for replenishing Additional Tier 1 Capital of the Issuer and the characters and terms of which may only meet the investment requirements of limited categories of investors. These types of securities may have a more limited secondary market and more price volatility than conventional debt securities. Limited liquidity may have a material adverse effect on the market value of the Bonds. There can be no assurance that a liquid trading market for the Bonds will be developed or that a liquid trading market, if developed, will continue to exist. If a liquid trading market needs to be developed, the Bonds may be traded at a premium or discount to their principal amount, depending upon factors such as the prevailing interest rates, the Issuer's operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. If the Bonds are trading at a discount, investors may not be able to receive a favourable price for their Bonds, and in some circumstances, investors may not be able to sell their Bonds at all or at their fair market value. Although application will be made to the Hong Kong Stock Exchange for the Bonds to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that final listing approval will be granted and, regardless whether such listing approval is granted, there is no assurance that an active trading market will develop. In addition, the market for over-the-counter traded securities has been subject to disruptions that have caused volatility in prices of securities similar to the Bonds.

The market price and trading volume of the Bonds may fluctuate, which may result in a loss sustained by the Bonds.

The Issuer is a listed company and its profitability, development prospects and share prices are affected by a number of factors, including the macroeconomic conditions and the economic and financial policies of the State Council, the political environment in the PRC and abroad, supply and demand and investors' expectations. The price of the Bonds may fluctuate due to the above risk factors as well as other factors such as fluctuations in the yield of similar securities on the market, risk-free interest margins, and the impact of factors not attributable to the Issuer on the stock market.

The market price and trading volume of the Bonds may be highly volatile. In addition, the trading volume of the Bonds may fluctuate and result in significant price movement.

Changes of the market interest rate may have a significant impact on the price of the Bonds. Other factors which may have an adverse effect on the price of the Bonds or cause fluctuations of the price or trading volume of the Bonds include without limitation the following:

- change in the business performance of the Issuer;
- failure to meet market expectations of profits of the Issuer;
- departure of important personnel of the Issuer;
- negative market response to any debt incurred by the Issuer or possible issuance of any securities by the Issuer;
- changes of the market price of other products similar to the Bonds;
- changes or proposed changes of laws or regulations or interpretation thereof, which have an impact on the business of the Issuer, or the implementation of any such laws or regulations, or the announcement of any matter in relation thereto;
- litigation, governmental or regulatory investigation; and
- general market and economic environment.

Fluctuations in interest rates may have an adverse effect on the market price of the Bonds.

The Bondholders may suffer unforeseen losses due to the fluctuations in interest rates. Generally, a rise in interest rates would cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the Distribution payments at higher prevailing market interest rates. Conversely, when interest rates fall, the price of the Bonds rises, resulting in a capital gain for the Bondholders. However, the Bondholders may reinvest the Distribution payments at lower prevailing market interest rates.

As the Bonds will bear a fixed Distribution rate in respect of each Distribution Period (as defined in the Conditions), the market price of the Bonds will consequently vary with the fluctuations in interest rates. If the Bondholders propose to sell their Bonds before any redemption of the Bonds by the Issuer, they may receive an offer lower than the amount they have invested.

The Issuer may issue additional securities of any class with a claim ranking pari passu with or in priority to that of the Bonds in the future and may have an adverse effect on the claims of the Bondholders, repayment and/or the market price of the Bonds.

There is no limit on the Issuer's ability to issue, incur or guarantee further securities or indebtedness. The Issuer may from time to time (without having to consult with the Bondholders beforehand), issue new or additional securities which rank *pari passu* with or in priority to that of the Bonds or otherwise raise additional capital by means as may be deemed necessary by the Issuer. For example, on 26 November 2020, the Issuer announced that its shareholders had approved the Issuer's proposed issuance of undated additional tier 1 capital bonds with a write-off feature in China's national inter-bank bond market of an amount not more than RMB100 billion. The Issuer further announced on 29 March 2021 that it has received CBIRC's approval on the aforementioned proposed issuance of undated additional tier 1 capital bonds in the domestic market. Accordingly, in June 2021, the Issuer publicly issued undated additional tier 1 capital bonds of RMB70 billion in China's national inter-bank bond market. In addition, in January 2021, the Issuer publicly issued tier 2 capital bonds of RMB30 billion in China's national inter-bank bond market. On 21 June 2021, the Issuer announced that its shareholders had approved the Issuer's proposed issuance of eligible tier 2 capital instruments with a write-off feature in domestic and offshore markets of an amount not more than RMB190 billion or an equivalent value in foreign currency. There cannot be any assurance by the Issuer that such future issuances or financing activities will not have an adverse effect on the claims of the Bonds, repayment and/or the market price of the Bonds.

Credit ratings may not reflect all risks and changes in the credit rating could have a negative impact on the price and liquidity of the Bonds.

The Bonds are expected to be rated "Ba1" by Moody's. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be suspended, downgraded or withdrawn by such rating agency in the future. If the credit rating of the Bonds is subsequently suspended, downgraded or withdrawn, the market price of the Bonds and their liquidity may be adversely impacted.

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

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. The judgements of the Hong Kong courts in respect of English law governed matters or disputes may not be recognised and enforced by the PRC courts.

The Bonds and the Agency Agreement are governed by English law (other than the provisions of the Conditions relating to subordination, which shall be governed by PRC law), whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Although under the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", judgements of Hong Kong courts should be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts; the PRC courts could, albeit in limited circumstances, refuse to recognise and enforce a Hong Kong court judgement on the ground of the social and public interest of the PRC.

Gains on the transfer of the Bonds may become subject to income taxes under PRC tax laws and Value-added Tax.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of the Bonds by non-resident enterprise or individual holders may be subject to enterprise income tax or individual income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertain as to whether the gain realised from the transfer of the Bonds would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Bonds.

Therefore, if non-resident enterprise or individual holders are required to pay PRC income tax on gains on the transfer of the Bonds (the current rates of such income tax are 10 per cent. (for non-resident enterprises) and 20 per cent. (for non-resident individuals) of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise or individual holders of the Bonds reside that reduces or exempts the relevant tax), the value of their investment in the Bonds may be materially and adversely affected.

On 23 March 2016, the MOF and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (Caishui [2016] No. 36) ("**Circular 36**"). According to the Tentative Regulations on the Value-added Tax of the PRC which was introduced by the State Council on 13 December 1993, and was later amended on 10 November 2008, 6 February 2016 and 19 November 2017 and the Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The Issuer shall in respect of the VAT pay additional amounts to the investors of the Bonds in accordance with the Conditions so that the Bondholders receive the full amount of the scheduled payment, as further set out in the Conditions.

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new. Therefore, the interpretation and enforcement of such laws and regulations involve uncertainties.

Legal investment considerations may restrict certain investments.

Certain investors' investment activities are subject to restrictions as stipulated in relevant investment laws and regulations, or review or regulation by relevant authorities. Each potential investor should consult its legal advisers to determine whether and under what circumstances (i) the Bonds are legal investment, (ii) the Bonds can be used as collateral for various types of borrowings, and (iii) any other restrictions are placed on the purchase or pledge of the Bonds. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable venture capital or similar rules.

There could be conflicts of interest arising out of the different roles played by the Issuer and its subsidiaries, and the Issuer's other activities may affect the value of the Bonds.

The Issuer is the issuer of the Bonds and its subsidiaries are also appointed as Joint Lead Managers for the Bonds. The Issuer or its subsidiaries may also issue other competing financial products which may affect the value of the Bonds. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Issuer and its subsidiaries in connection with the Bonds and the economic interests in each role may be adverse to the investors' interests in the Bonds. Although the Issuer has internal control policies and procedures to minimise any potential conflict of interest, the Issuer owes no duty to investors to avoid such conflicts.

Investors shall be aware of the effect of change of law.

The Conditions relating to subordination are governed by PRC law while any other provisions of the Conditions are governed by English law in effect at the date hereof. No assurance can be given as to the impact of any possible judicial decision or change to PRC law and/or English law, or administrative practises after the date of this Offering Circular. In addition, the bankruptcy law of the PRC may be different from the equivalent bankruptcy laws in other jurisdictions with which the Bondholders are familiar.

The Bonds will initially be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the clearing systems.

The Bonds will initially be represented by beneficial interests in a Global Certificate. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The relevant clearing system will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the clearing systems. While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the relevant clearing system for distribution to their accountholders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system to receive payments under the Bonds. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

Industrial and Commercial Bank of China Limited (the "**Issuer**") passed a resolution of the board of directors of the Issuer on 7 January 2020 and 29 April 2021 and a resolution of the shareholders of the Issuer on 12 June 2020 and 21 June 2021, authorising the issue of the U.S.$6,160,000,000 Undated Additional Tier 1 Capital Bonds (the "**Bonds**"). The Issuer has entered into an agency agreement dated 24 September 2021 (as amended from time to time, the "**Agency Agreement**") with The Bank of New York Mellon, London Branch as fiscal agent, paying agent and calculation agent, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and transfer agent relating to the Bonds. The fiscal agent, paying agent, calculation agent, registrar and any transfer agent are referred hereunder respectively as the "**Fiscal Agent**", the "**Paying Agent**", the "**Calculation Agent**", the "**Registrar**" and the "**Transfer Agent**". "**Agents**" means the Fiscal Agent, the Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time under the Agency Agreement. The Agency Agreement includes the form of the Bonds.

Copies of the Agency Agreement are available for inspection during normal business hours (being from 9.00 a.m. to 3.00 p.m.) on a weekday (other than public holidays) at the specified office of the Fiscal Agent following prior written request and proof of holding and identity satisfactory to the Fiscal Agent.

The Bondholders (as defined below) are deemed to have notice of those provisions of the Agency Agreement applicable to them.

Unless otherwise specified, capitalised terms in these terms and conditions ("**these Conditions**") shall have the meanings given to them in Condition 17.

1 Form, Specified Denomination and Status

(a) Form and denomination

The Bonds are issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) Status of Bonds

The Bonds constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves. The rights and claims of the Bondholders are subordinated as described in Condition 3(a).

The net proceeds of the Bonds will be counted as the Issuer's Additional Tier 1 Capital in accordance with the applicable laws and regulatory approvals.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds. The Bonds are not issuable in bearer form.

2 Register, Title and Transfers

(a) Register

The Registrar will maintain a register (the "**Register**") in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the "**holder**" of a Bond means the person in whose name a Bond is registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Bondholder**" shall be construed accordingly. A certificate (each, a "**Certificate**") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

The holder of each Bond shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(c) Transfers

Subject to Conditions 2(f) (*Closed periods*) and 2(g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Bond may not be transferred unless the principal amount of Bond transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the transferred Bonds and the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing system.

(d) Registration and delivery of Certificates

Within five business days of the surrender of a Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount of the Bonds transferred to each relevant holder at its specified office or (as the case may be) the specified office of the Transfer Agent or (at the request and risk of any such relevant holder) by uninsured post to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

(e) No charge

The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against such indemnity as the Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) Closed periods

No Bondholder may require the transfer of the Bonds to be registered during (i) the period of 15 days prior to (and including) the due date of any payment of principal or Distribution (as defined in Condition 4(a)) in respect of the Bonds or (ii) during the period commencing on the date of a

Non-Viability Trigger Event Notice (as defined in Condition 3(c) below) and ending on (and including) the close of business in the PRC on the effective date of the Write-off (as defined in Condition 3(c) below).

(g) Regulations concerning transfers and registration

All transfers of the Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. The Bondholders can request to the Registrar with prior written notice and satisfactory proof of holding a copy of the current regulations for inspection.

3 Subordination and Non-Viability Trigger Event

(a) Subordination

In the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall be subordinated to the claims of depositors of the Issuer, general creditors of the Issuer, holders of Tier 2 Capital Instruments and holders of any other subordinated indebtedness of the Issuer that rank senior to the Bonds; rank in priority to the claims of holders of all classes of share capital of the Issuer; and rank *pari passu* with the claims of holders of any other Additional Tier 1 Capital Instruments that rank *pari passu* with the Bonds. In addition, in the event of a Winding-Up of the Issuer, the claims of the Bondholders for payment of principal and any Distribution under the Bonds shall rank *pari passu* with the claims of holders of the Parity Obligations and rank in priority to the claims of holders of the Junior Obligations.

The ranking of claims set out above in this Condition 3(a) applies to all obligations, present or future, issued or guaranteed by the Issuer that rank or are expressed to rank in priority to, junior to or *pari passu* with the Bonds, as the case may be, by operation of law or contract, but at all times subject to such exceptions required by mandatory provisions of applicable laws and regulations.

Other than in the event of a Winding-Up of the Issuer, no Bondholder shall declare any payment of principal or Distribution under the Bonds immediately due and payable.

(b) Set-off

Subject to applicable laws, no Bondholder 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 Bonds and each Bondholder shall, by virtue of being the holder of any Bond, be deemed to have waived all such rights of set-off, counter-claim or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Bondholder by the Issuer in respect of, or arising under or in connection with, the Bonds is discharged by set-off or otherwise, such Bondholder shall, subject to applicable laws, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

(c) Write-off on a Non-Viability Trigger Event

The ability to operationally effect any Write-off of any Bond under this Condition 3(c) is subject to the availability of procedures to effect any such Write-off in the relevant clearing system(s). However, any Write-off of any Bond with respect to the Issuer under this Condition 3(c) will be effective upon the date that the Issuer specifies in the relevant Non-Viability Trigger Event Notice notwithstanding any inability to operationally effect any such Write-off in the relevant clearing system(s).

If a Non-Viability Trigger Event occurs, the Issuer has the right (without any requirement for the consent of the Bondholders) to irrevocably Write-off (in whole or in part) the principal amount of the

Bonds then outstanding, with effect from the next day following the relevant Non-Viability Trigger Event Effective Date. The principal amount of the Bonds to be Written-off shall be calculated based on the proportion that the outstanding aggregate principal amount of the Bonds bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital Instruments with the same trigger event (including the Bonds). Once the principal amount of the Bonds (in whole or in part) has been Written-off, such relevant Written-off portion of the Bonds will not be restored or become payable again (whether in whole or in part) in any circumstances (including where the relevant Non-Viability Trigger Event ceases to continue), and any accrued but unpaid Distribution in respect of such relevant Written-off portion of the Bonds shall cease to be payable. In addition, there will be no compensation in any form to remedy the loss of the Bondholders.

Any Write-off of any Bond (in whole or in part) pursuant to these Conditions, in any event, shall not constitute a default of the Issuer under the Bonds.

In respect of the Write-off of the principal amount of the Bonds (in whole or in part) as set out in the first paragraph of this Condition 3(c), such Write-off and any write-off or conversion of any other Additional Tier 1 Capital Instruments with the same trigger event and Tier 2 Capital Instruments will take place as follows:

(i) the Bonds shall be Written-off concurrently with the write-off or conversion, in accordance with the terms thereof or any applicable laws and regulations, of the principal amount of all other Additional Tier 1 Capital Instruments with the same trigger event; and

(ii) the Bonds shall be Written-off before the write-off or conversion, in accordance with the terms thereof or any applicable laws and regulations, of the principal amount of all Tier 2 Capital Instruments.

Once the principal amount or liquidation preference value of any Additional Tier 1 Capital Instruments with the same trigger event or Tier 2 Capital Instruments has been written-off or converted, any accrued or declared but unpaid dividend or distribution in respect of such write-off or converted portion shall, in accordance with the terms thereof or any applicable laws and regulations, cease to be payable.

If the principal amount of the Bonds is to be Written-off in part only, the principal amount of the Bonds to be Written-off shall be calculated (subject to any applicable laws and relevant regulatory approvals) as being (A) the proportion that the outstanding aggregate principal amount of the Bonds bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital Instruments with the same trigger event (including the Bonds), multiplied by (B) the total outstanding aggregate principal amount or liquidation preference value of all such Additional Tier 1 Capital Instruments (including the Bonds) that should be concurrently written-off or converted.

The application of partial Write-off on any Bond set out in Condition 3(c) above is subject to the determination of the relevant authorities. See "Risk Factors – Risks relating to the Bonds – The Bonds contain non-viability loss absorption provisions which if triggered would result in the principal amount in respect of the Bonds being Written-off".

The Issuer shall, within two business days following the Non-Viability Trigger Event Effective Date, publish an announcement in respect of the details of the relevant Non-Viability Trigger Event, the principal amount of the Bonds to be Written-off, the calculation of the principal amount of the Bonds to be Written-off, the effective date of the Write-off and the procedures of the Write-off and concurrently give a notice (the "**Non-Viability Trigger Event Notice**") to the Bondholders and the Fiscal Agent stating the same. In this paragraph, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the PRC and Hong Kong.

Each Bondholder shall be deemed to have authorised, directed and requested the Fiscal Agent and the Registrar, as the case may be, to take any and all necessary action to give effect to any Non-Viability Trigger Event and the Write-off of the Bonds following the occurrence of such Non-Viability Trigger Event.

In these Conditions:

"**Non-Viability Trigger Event**" means the earlier of:

(A) the CBIRC having determined that the Issuer will not be able to exist if there is no write-off or conversion of the Issuer's capital; and

(B) the relevant regulatory departments having determined that the Issuer will not be able to exist if the public sector does not provide a capital injection or other equivalent support.

*As of the date of this Offering Circular, to the Issuer's knowledge, pursuant to Paragraph 2(1) of the Guiding Opinions on Innovation of Capital Instruments of Commercial Banks issued by the China Banking and Insurance Regulatory Commission (Revised) (中國銀行業監督管理委員會關於商業銀行資本工具創新的指導意見(修訂)) (the "**CBIRC Guiding Opinions**"), the "relevant regulatory departments" referred to in this Condition 3 (including paragraph (B) in the definition above) are those which may determine whether a public sector injection of capital or equivalent support is necessary and the Issuer may not be able to exist without such capital injection or support, which includes the State Council, the Ministry of Finance, the People's Bank of China and the CBIRC. In making such determination (regarding paragraph (B) in the definition above), the relevant regulatory departments may consult each other and/or seek joint agreement among themselves. As new regulations, the Capital Management Rules and the CBIRC Guiding Opinions will be subject to interpretation and application by the CBIRC and the other relevant regulatory departments.*

"**Write-off**" or "**Written-off**" means the cancellation (in whole or in part) of the principal amount of the Bonds which shall not be restored or become payable again (whether in whole or in part) under any circumstances (including where the relevant Non-Viability Trigger Event ceases to continue). References to "**Write-off**" or "**Written-off**" in these Conditions shall be construed to include the cessation of payment and non-enforceability of any accrued but unpaid Distribution on such cancelled Bonds.

"**Non-Viability Trigger Event Effective Date**" means the date on which the CBIRC or the relevant regulatory department has decided a Non-Viability Trigger Event occurs and has informed the Issuer, together with an announcement of, the occurrence of such Non-Viability Trigger Event. If there is any uncertainty of any Non-Viability Trigger Event Effective Date, the date determined by the CBIRC or the relevant regulatory department shall prevail.

4 Distribution

(a) Distribution

Subject as provided in this Condition 4, the Bondholders are entitled to receive distributions which are due but unpaid and which have not been otherwise cancelled (the "**Distributions**") payable semi-annually in arrear.

Subject as provided in this Condition 4, each Distribution shall be payable semi-annually in arrear on 24 March and 24 September in each year (each an "**Distribution Payment Date**"). Subject as provided in this Condition 4, the first Distribution Payment Date is 24 March 2022. The period beginning on and including the Issue Date and ending on but excluding the first Distribution Payment Date and each successive period beginning on and including a Distribution Payment Date and ending on but excluding the next succeeding Distribution Payment Date is a "**Distribution Period**".

Each Bond will cease to accrue Distribution from the effective date for redemption unless, upon surrender of the Certificate, payment of the principal amount of the Bonds is improperly withheld or refused. In such event, the Distributions on the Bonds shall continue to accrue (both before and after a judicial decision is made) at the then applicable Distribution Rate until the earlier of either (i) the date on which all amounts due and accrued to such date under the Bonds are received by or on behalf of the relevant Bondholder; or (ii) the seventh day after the Fiscal Agent has notified Bondholders of receipt of all amounts due and accrued to such seventh day under the Bonds (except to the extent that there is any subsequent default in payment to the relevant Bondholders under these Conditions).

The Bonds are not subject to any distribution rate step-up or any other incentive to redeem. The Distribution Rate is not linked to any credit rating of the Issuer and will not be adjusted according to changes in the credit rating of the Issuer in the future.

(b) Distribution Rate

The rate of Distribution (the "**Distribution Rate**") applicable to the Bonds shall be:

(i) in respect of the period from and including, 24 September 2021 (the "**Issue Date**"), to but excluding, 24 September 2026 (the "**First Reset Date**"), 3.20 per cent. per annum (the "**Initial Distribution Rate**"); and

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

For the purposes of these Conditions:

"**Reset Date**" means the First Reset Date and each date that falls five or a multiple of five years following the First Reset Date.

"**Reset Distribution Rate**" means the distribution rate per annum equal to the sum of the Benchmark Rate with respect to the Reset Date plus the Spread.

Distribution on the Bonds will be calculated on a simple interest basis per annum, payable semi-annually in arrear. The Bonds do not require any overdue Distribution to be compounded and do not provide for any increased default interest.

(c) Reset Distribution Rate Determination

The Calculation Agent will, on the Calculation Date before each Reset Date, determine the Reset Distribution Rate in respect of the Bonds. The Calculation Agent will procure such Reset Distribution Rate determined by it to be notified to the Fiscal Agent and the Bondholders as soon as possible after their determination but in no event later than the fourth business day thereafter. If the Bonds become due and payable under Condition 8, the Reset Distribution Rate and Distribution accrued per Calculation Amount shall nevertheless continue to be determined by the Calculation Agent in accordance with this Condition 4 but no publication of the Reset Distribution Rate so calculated need be made. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Agents and the Bondholders and (subject as aforesaid) no liability will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purpose.

(d) Calculation of Distribution

Subject as provided in this Condition 4, Distribution in respect of any Bond shall be calculated initially per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"), provided that if the principal amount of a Bond is Written-off in accordance with Condition 3(c), the Calculation Amount shall be proportionally adjusted to account for such Write-off and which is notified to the Fiscal Agent and the Bondholders with the details of such adjustment. The amount of Distribution payable per Calculation Amount for any period shall be the product of (i) the relevant Distribution Rate, multiplied by (ii) the Calculation Amount and by (iii) the day count fraction for the relevant period, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The relevant day count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

So long as the Bonds are represented by a Global Certificate which is held on behalf of Euroclear, Clearstream or any Alternative Clearing System, the Distribution in respect of the Bonds shall be calculated based on the aggregate principal amount of the Bonds represented by the Global Certificate.

(e) Conditions to Distributions

Notwithstanding any other provision in this Condition 4, the payment of any Distribution on any Distribution Payment Date is subject to the Issuer having distributable items.

See "Risk Factors – Risks relating to the Bonds – Payment of Distribution is subject to restrictions under PRC laws" for more details about distributable items.

In addition, subject to the relevant resolution being passed at a general meeting of the shareholders, the Issuer may, in any event, elect to cancel (in whole or in part) any Distribution on the Bonds. The Issuer may at its discretion use the funds arising from the cancellation of such Distribution to repay other debts that are due.

The Issuer shall give notice to the Bondholders in accordance with Condition 12 and the Fiscal Agent of any cancellation (in whole or in part) of any Distribution scheduled to be paid as soon as possible after a resolution has been passed at the general meeting of the shareholders described above to cancel (in whole or in part) such Distribution, and in any event at least 10 Payment Business Days prior to the relevant Distribution Payment Date, provided that any failure to give such notice shall not affect the cancellation of (in whole or in part) such Distribution by the Issuer and shall not constitute a default of the Issuer in any event.

The cancellation of any Distribution (in whole or in part) in accordance with the Conditions shall not constitute a default of the Issuer in any event. The payments of Distributions are non-cumulative. Under the circumstance where the Issuer cancels a Distribution (in whole or in part) in accordance with such shareholders' resolution and the Conditions, any amount of Distribution that has not been fully distributed to the Bondholders during the current Distribution Period will not be accumulated to the following Distribution Periods.

(f) Dividend Stopper

If the Issuer elects to cancel (in whole or in part) any Distribution on the Bonds, the cancellation of such Distribution (in whole or in part) on the Bonds shall be approved by a resolution passed at a general meeting of the shareholders of the Issuer (but not where such Distribution has been cancelled pursuant to Condition 3(c) upon the occurrence of a relevant Non-Viability Trigger Event).

From the day immediately following the Distribution cancellation resolution being approved at the general meeting of the shareholders, the Issuer shall not make any distribution or dividend in cash or otherwise to the holders of ordinary shares of the Issuer, until the Distribution scheduled to be paid on any subsequent Distribution Payment Date is paid in full to the Bondholders. The cancellation (in whole or in part) of any Distribution on the Bonds will only constitute a restriction on the payment of distribution or dividend to the extent as set out in this Condition 4(f) and will not constitute any other restrictions on the Issuer.

(g) Business Day

In this Condition 4, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in New York City and for Condition 4(c), in the city in which the specified office of the Calculation Agent is located.

5 Redemption, Variation and Purchase

(a) No Fixed Maturity Date

The Bonds will remain outstanding so long as the Issuer continues in operation and therefore the Bonds are undated and have no fixed maturity date. The Issuer will only have the right to redeem the Bonds as described in this Condition 5. The Bonds are not redeemable at the option of the Bondholders and no Bondholder may request the Issuer to redeem any Bond held by it or request the Issuer to buyback any Bond held by it.

(b) Redemption for Regulatory Reasons

If a change in the Capital Management Rules or regulations made thereunder occurs on or after the Issue Date having the effect that the Bonds, after having qualified as such, will be fully disqualified as Additional Tier 1 Capital of the Issuer (the "**Regulatory Variation Event**", which for the avoidance of doubt, does not include any such disqualification of the Bonds as a result of any discounting or amortisation of the Bonds pursuant to the relevant law and regulation in force as at the Issue Date), subject to any applicable regulatory requirements, the satisfaction of the Redemption Conditions (if applicable), and the CBIRC Approval having been obtained, the Issuer may redeem at its option all but not some only of the Bonds at any time (whether before or following the First Call Date) at their principal amount together with any accrued but unpaid Distribution to, but excluding, the date fixed for redemption.

Subject to the satisfaction of the Redemption Conditions (if applicable), the redemption option set out in this Condition 5(b) shall be exercised by the Issuer upon giving the Redemption Notice to the Bondholders with not less than 30 days' prior notice (which notice shall be irrevocable, and with a copy to be provided to the Fiscal Agent) and concurrently making an announcement of the details of such Redemption Notice, provided, however, that no Redemption Notice shall be given earlier than 90 days prior to the date on which a Regulatory Variation Event has occurred. Such Redemption Notice shall include details of the effective date of the redemption, the principal amount of the Bonds to be redeemed, procedures to effect such redemption and the method and time of payment of the redemption amounts. Such Redemption Notice shall also include a confirmation that the relevant CBIRC Approval has been obtained.

Concurrent with the giving of any such Redemption Notice pursuant to the foregoing paragraphs of this Condition 5(b), the Issuer shall deliver to the Fiscal Agent an opinion of reputable legal advisers of recognised standing to the effect that a Regulatory Variation Event has occurred.

The Fiscal Agent shall not be responsible to verify whether a Regulatory Variation Event has occurred or whether the relevant CBIRC Approval has been obtained as required under any event under this Condition 5.

(c) Redemption at the Option of the Issuer

Subject to this Condition 5(c), the Bonds are redeemable at the option of the Issuer. Subject to the satisfaction of the Redemption Conditions and the CBIRC Approval having been obtained, the Issuer may redeem at its option all or some of the Bonds on 24 September 2026 (the "**First Call Date**") or any Distribution Payment Date thereafter (together with the First Call Date, each a "**Call Date**"), at their principal amount together with Distributions accrued to, but excluding, the date fixed for redemption but unpaid.

Subject to the satisfaction of the Redemption Conditions, the redemption option set out in this Condition 5(c) shall be exercised by the Issuer upon giving the Redemption Notice to the Bondholders with not less than 30 days' prior notice (which notice shall be irrevocable, and with a copy to be provided to the Fiscal Agent) and concurrently making an announcement of the details of such Redemption Notice. Such Redemption Notice shall include details of the effective date of the redemption, the principal amount of the Bonds to be redeemed, procedures to effect such redemption and the method and time of payment of the redemption amounts. Such Redemption Notice shall also include a confirmation that the relevant CBIRC Approval has been obtained.

In the case of a partial redemption of Bonds, the Bonds shall be redeemed by the Issuer as far as practicable on a *pro rata* basis based on the outstanding aggregate principal amount of the Bonds.

(d) Variation for Regulatory Reasons

Upon the occurrence of the Regulatory Variation Event, the Issuer may, subject to and in accordance with any applicable regulatory requirements, having given not less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable, and with a copy to be provided to the Fiscal Agent), at any time (whether before or following the First Call Date) vary the terms of the Bonds so that they remain or, as the case may be, become, eligible Additional Tier 1 Capital Instruments.

Prior to the publication of any notice of variation, the Issuer shall deliver to the Fiscal Agent an opinion of reputable legal advisers of recognised standing to the effect that the Bonds as so varied will as at the effective date of such variation remain or, as the case may be, become, eligible Additional Tier 1 Capital Instruments.

(e) Purchase

The Issuer undertakes that, unless otherwise permitted by the CBIRC:

(i) neither it nor any affiliates controlled by it or over which it has significant influence shall purchase any Bonds; and

(ii) it shall not directly or indirectly provide any financing for the purchase of any Bonds.

(f) Redemption Conditions

In these Conditions, "**Redemption Conditions**" means the following conditions precedent to the exercise of the right of the Issuer to redeem the Bonds:

(i) the Issuer shall use capital instruments of the same or better quality to replace the Bonds to be redeemed and such replacement of capital is effected in circumstances where the Issuer has sustainable income generating capability; or

(ii) the Issuer's regulatory capital after such redemption will remain well above the regulatory capital requirements prescribed by the CBIRC.

6 Payments

(a) Method of Payment

(i) Payments of principal on each Bond shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 6(a)(ii).

(ii) Distribution on each Bond shall be paid to the person shown on the Register by the close of business on the fifth Payment Business Day (as defined below) prior to the due date for payment thereof (the "**Record Date**"). Payments of any amounts on each Bond shall be made by transfer to a U.S. dollar account maintained by or on behalf of such holder with a bank in New York City, details of which appear on the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of Distribution being paid is less than the amount then due, the Registrar will annotate the Register with the amount of Distribution so paid.

*Notwithstanding the foregoing, so long as the Bonds are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system one Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, both inclusive) except 25 December and 1 January.*

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7 and 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 7) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value the due date, or if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of payments of principal, if later, on the Payment Business Day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) Delay in Payment

Bondholders will not be entitled to any Distribution or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(e) Business Days

In this Condition 6, "**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in New York City, Beijing, Hong Kong and the city in which the specified office of the Fiscal Agent is located.

(f) Appointment of Agents

The Fiscal Agent, the Paying Agent, the Registrar, the Calculation Agent and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal

Agent, the Paying Agent, the Registrar, the Calculation Agent and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Paying Agent, the Registrar, the Calculation Agent, any Transfer Agent or any other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent and a Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, (iv) a Calculation Agent where the Conditions so require, and (v) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders.

7 Taxation and Withholding

All payments of principal and/or Distribution in respect of the Bonds will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the laws of the PRC. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them if no such withholding or deduction had been required, provided, however, that no such additional amounts shall be payable in respect of any Bond by the Issuer under the following circumstances:

(i) to a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the PRC other than the mere holding of such Bond; or

(ii) to a Bondholder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(iii) in respect of which the Certificate representing it is presented more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such additional amounts if it had presented such Certificate on the last day of such period of 30 days.

"**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been paid on or prior to such due date, the date on which the full amount has been paid and notice to that effect has been given to the Bondholders.

For the avoidance of doubt, the Issuer's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or Distribution on the Bonds; provided that the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the PRC or any political subdivision thereof or any taxing authority thereof or therein, with respect to the issuance of the Bonds.

Any reference to principal or Distribution with respect to the Bonds will be deemed to include any additional amounts payable by the Issuer in respect of such principal or Distribution under this Condition.

8 Enforcement Event; Limited Right of Acceleration

(a) Enforcement Event

Notwithstanding any other provisions of the Bonds, the Bondholders shall not have any right to declare any payment of principal or Distribution under the Bonds immediately due and payable other than upon a Winding-Up of the Issuer.

(b) Proceedings for Winding-Up

Upon the Winding-Up in respect of the Issuer, the Bonds shall immediately become due and payable at their principal amount together with accrued Distribution which has not been cancelled without further formality, and any Bondholder may claim in the Winding-Up of the Issuer.

(c) Enforcement

Without prejudice to Condition 8(b) above, any Bondholder may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Bonds (including any payment obligation due under or arising from the Bonds, including, without limitation, payment of any principal or Distribution in respect of the Bonds and any damages awarded for breach of any obligations but excluding any right to declare the Bonds immediately due and payable prior to the Winding-Up of the Issuer) and in no event shall the Issuer be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

9 Meeting of Bondholders, Modification and Waiver

(a) Meeting of Bondholders

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons holding or representing Bonds whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the scheduled redemption of the Bonds or the dates on which Distribution is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or Distribution on, or to vary the method of calculating the rate of Distribution on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the ranking of the Bonds, or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 67 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed). The consent or approval of the Bondholders shall not be required for any variation of the terms of the Bonds so that they remain or, as the case may be, become eligible Additional Tier 1 Capital Instruments pursuant to Condition 5(d), or any Write-off of any principal amount or accrued but unpaid Distribution to be made in the circumstances described in Condition 3(c), or any cancellation (in whole or in part) of any Distributions on the Bonds in the circumstances described in Condition 4.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding shall, in any case, be effective as an Extraordinary Resolution passed at a meeting of Bondholders. Such resolution in writing may be executed in one or more counterparts, each signed by one or more Bondholders or their representatives.

(b) Modification of the Agency Agreement

The Issuer shall only permit (without the consent of the Bondholders) any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Bondholders. Any determination as to prejudice applying to the interests of the Bondholders pursuant to this Condition shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determinations. Any modification shall be binding on the Bondholder and shall be notified by the Issuer to the Bondholder as soon as practicable thereafter in accordance with Condition 12.

10 Prescription

The right of a Bondholder to receive any payment under the Bonds shall become void ten years (in the case of principal) or six years (in the case of Distribution) after the due date for such payment.

11 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds (including damages). If any sum due from the Issuer in respect of the Bonds or any order or judgement given or made in relation thereto has to be converted from U.S. dollars into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgement in any court or other tribunal or (c) enforcing any order or judgement given or made in relation to the Bonds, the Issuer shall indemnify each Bondholder, on the written demand of such Bondholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from U.S. dollars into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase U.S. dollars with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgement, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

12 Notices

Any notice required to be given to any Bondholders pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date first publication is made.

Until such time as any definitive Certificates are issued and so long as the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of Distribution on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13 and forming a single series with the Bonds.

14 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to the Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Registrar or such Transfer Agent may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

(a) Governing Law

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by, and shall be construed in accordance with, English law (other than the provisions relating to subordination of the Bonds in these Conditions, which are governed by, and shall be construed in accordance with, PRC law).

(b) Jurisdiction

(i) The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute, claims, difference or controversy that may arise out of, in relation to or in connection with the Bonds (and the Conditions), including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with the Bonds (and the Conditions) and any non-contractual obligations arising out of or in connection with them ("**Proceedings**") may be brought in such courts.

(ii) The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

(iii) The Issuer agrees to receive service of process in Hong Kong in relation to the Bonds at the Issuer's principal place of business in Hong Kong, at 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong. If for any reason the Issuer no longer maintains a principal place of business in Hong Kong, the Issuer shall as soon as reasonably practicable appoint a new agent for service of process in Hong Kong and deliver to the Agents a copy of the new agent's acceptance of that appointment. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in this Condition or the Agency Agreement shall affect the right to serve process in any other manner permitted by law.

(c) Waiver of Immunity

(i) To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

(ii) The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement which is made or given in such Proceedings.

17 Definitions

For the purposes of these Conditions:

"**Additional Tier 1 Capital**" has the meaning given to Additional Tier 1 Capital (其他一級資本) in the Capital Management Rules.

"**Additional Tier 1 Capital Instruments**" means any security, instrument or any other similar obligation issued or guaranteed by the Issuer that, in each case, constitutes Additional Tier 1 Capital of the Issuer pursuant to the relevant requirements set out in Paragraph 2 of Schedule 1 (or its successor) of the Capital Management Rules.

"**Benchmark Rate**" means the rate per annum (expressed as a percentage) as determined by the Calculation Agent that is equal to the yield representing the average of the daily yields for the week immediately prior to the relevant Calculation Date as derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable U.S. Treasury Issue. If there is no Comparable U.S. Treasury Issue with a maturity within three months before or after the next succeeding Reset Date, yields for the two published maturities most closely corresponding to the Comparable U.S. Treasury Issue will be determined and the Benchmark Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the relevant Calculation Date or does not contain such yields, "**Benchmark Rate**" shall mean the rate per annum (expressed as a percentage) equal to the yield to maturity of the Comparable U.S. Treasury Issue notified by the Issuer to the Calculation Agent in writing, calculated using a price for the Comparable U.S. Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable U.S. Treasury Price for the relevant Calculation Date. If there is no Comparable U.S. Treasury Price for the relevant Calculation Date, "**Benchmark Rate**" means the rate in per cent. per annum notified by the Calculation Agent to the Issuer and the Bondholders in writing equal to the yield representing the average of the daily yields for the week that was last available prior to the relevant Calculation Date as derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable U.S. Treasury Issue. If the Benchmark Rate cannot be determined after applying the aforesaid provisions on any Calculation Date, subject to the regulatory requirements (if any), the Issuer and the Bondholders shall approve by an Extraordinary Resolution any amendments to the Benchmark Rate or determine the principles to be applied in determining any Benchmark Rate.

"**Calculation Date**" means, for the purpose of calculating the Reset Distribution Rate, the second Determination Day prior to the relevant Reset Date.

"**CBIRC**" means the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會, which expression shall include the China Banking Regulatory Commission which was merged with the China Insurance Regulatory Commission as the China Banking and Insurance Regulatory Commission in April 2018) or the China banking regulatory authorities of the State Council or any successor entity, including their respective local counterparts.

"**CBIRC Approval**" means such approval, consent or non-objection from, or notification required to, the CBIRC, or such waiver required in relation to the Capital Management Rules from the CBIRC.

"**Capital Management Rules**" means the Administrative Measures for the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) promulgated on 7 June 2012 by the China Banking Regulatory Commission (currently, the CBIRC) and which became effective on 1 January 2013 (as amended, novated, supplemented, restated or replaced from time to time).

"**Comparable U.S. Treasury Issue**" means, in relation to calculating the Reset Distribution Rate, the U.S. Treasury security selected by the Issuer and notified to the Calculation Agent in writing 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 U.S. Treasury Price**" means, with respect to the relevant Calculation Date, the average of three Reference U.S. Treasury Dealer Quotations for the Calculation Date.

"**Determination Day**" means a day (other than Saturdays and Sundays) on which commercial banks in New York City are open for business.

"**Extraordinary Resolution**" has the meaning given to it in the Agency Agreement.

"**Junior Obligations"** means (i) any class of share capital of the Issuer and (ii) any obligation issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Bonds by operation of law or contract.

"**Parity Obligations**" means (i) any other Additional Tier 1 Capital Instrument that ranks *pari passu* with the Bonds issued or guaranteed by the Issuer and (ii) any obligation that ranks or is expressed to rank *pari passu* with the Bonds (by operation of law or contract) issued or guaranteed by the Issuer.

"**PRC**" means the People's Republic of China, excluding, for purpose of these Conditions only, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

"**Redemption Notice**" means, in respect of any exercise by the Issuer of its redemption option, the redemption notice to be given by the Issuer to the Bondholders in accordance with these Conditions.

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

"**Reference U.S. Treasury Dealer Quotations**" means with respect to each Reference U.S. Treasury Dealer and the Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable U.S. Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer and the Calculation Agent by such Reference U.S. Treasury Dealer at or about 5:00 pm (New York City time*)*, on such Calculation Date.

"**Spread**" means 2.368 per cent.

"**Tier 2 Capital**" has the meaning given to Tier 2 Capital (二級資本) in the Capital Management Rules.

"**Tier 2 Capital Instruments**" means any security or other similar obligation issued or guaranteed by the Issuer that, in each case, constitutes Tier 2 Capital of the Issuer pursuant to the relevant requirements set out in Paragraph 3 of Schedule 1 (or its successor) of the Capital Management Rules.

"**Winding-Up**" means a final and effective order for liquidation, dissolution, insolvency or other similar proceeding in respect of the Issuer (except for the purposes of a reconstruction, consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders).

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate in respect of the Bonds contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate for the Bonds, the Bank, for value received, will promise, *inter alia*, to pay Distributions in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate principal amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions. Each payment will be (i) made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January and (ii) effected in accordance with the rules and procedures of the relevant clearing system.

Exchange: The Global Certificate is exchangeable in whole or in part (free of charge to the holder) for the definitive certificates if the Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system (the "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. Thereupon the holder may give notice to the Fiscal Agent of its intention to require the exchange of a specified amount of principal amount of the Global Certificate for definitive certificates on or after the Exchange Date. The Issuer shall deliver, or procure the delivery of, duly executed and authenticated definitive certificates representing such specified amount of principal amount. "**Exchange Date**" means a day falling not less than 30 days after that on which the notice requiring exchange into definitive certificates is given.

Notices: Notices required to be given in respect of the Bonds represented by the Global Certificate shall be validly given by delivery of the relevant notice to Euroclear and/or Clearstream and/or an Alternative Clearing System (as the case may be) for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

Meetings: For the purposes of any meeting of Holders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Holders and as being entitled to one vote in respect of each U.S.$1,000 of principal amount of the Bonds.

Failure to Pay: If any amount in respect of any Bonds is not paid when due and payable (but subject as provided below), the Registered Holder may from time to time elect that Direct Rights shall come into effect. Such election shall be made by notice to the Fiscal Agent and presentation of the Global Certificate to or to the order of the Fiscal Agent for reduction of the principal amount of Bonds represented by the Global Certificate by such amount as shall be specified in the notice. Upon such notice being given the appropriate Direct Rights shall take effect. No such election may however be made on or before an Exchange Date fixed in accordance with the Global Certificate with respect to the Bonds to which that Exchange Date relates unless the holder elects in such notice that the exchange in question shall no longer take place.

Write-off: If the principal amount of the Bonds is to be Written-off in part only, the principal amount of the Bonds to be Written-off shall be calculated (subject to any applicable laws and relevant regulatory approvals) as being (A) the proportion that the outstanding aggregate principal amount of the Bonds bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital

Instruments with the same trigger event (including the Bonds), multiplied by (B) the total outstanding aggregate principal amount or liquidation preference value of all such Additional Tier 1 Capital Instruments (including the Bonds) that should be concurrently written-off or converted.

In the event of a Write-off in part only, following the reduction in the aggregate principal amount of the Bonds as represented by the Global Certificate, unless the Issuer determines otherwise (acting in good faith and having regard to the rules and procedures of Euroclear or Clearstream or any Alternative Clearing System, as the case may be), the principal amount of the Bonds held by each Bondholder will correspondingly be reduced on a pro rata basis to the extent practicable, and any excess principal amount held thereafter by a Bondholder that is not wholly divisible by the Calculation Amount (as defined in the Conditions) for the purposes of voting shall be disregarded.

Partial Redemption: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any Alternative Clearing System, any such partial redemption by the Issuer shall be effected in accordance with the rules and procedures of Euroclear, Clearstream or any Alternative Clearing System, as the case may be.

Transfers: Transfers of interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear or Clearstream or any Alternative Clearing System and their respective participants in accordance with the rules and operating procedures of Euroclear or Clearstream or any Alternative Clearing System and their respective participants.

Cancellation: Cancellation of any Bonds represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of Holders and the Global Certificate on its presentation to or to the order of the Fiscal Agent for annotation (for information only) in the Global Certificate.

USE OF PROCEEDS

The net proceeds of the issuance, after deduction of the commissions and expenses relating to the issuance, approximately U.S.$6,152,000,000, will be counted as the Additional Tier 1 Capital of the Bank in accordance with relevant regulatory requirements.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's audited capitalisation as at 31 December 2020 and as adjusted to give effect to the issuance of the Bonds offered hereby (before deducting any commissions and other transaction costs and expenses payable in connection with the offering of the Bonds). Please read this table in conjunction with the Group's audited consolidated financial statements and the accompanying notes thereto, which are incorporated by reference in this Offering Circular as described under "*Documents Incorporated by Reference*".

	As at 31 December 2020			
	Actual	**Actual**	**As adjusted**	**As adjusted**
	(RMB millions)	*(USD millions)*[5]	*(RMB millions)*	*(USD millions)*[5]
Debt[1]				
Debt securities issued[2]	798,127	122,320	798,127	122,320
Equity				
Share capital	356,407	54,623	356,407	54,623
Other equity instruments	225,819	34,609	225,819	34,609
Reserves	800,718	122,717	800,718	122,717
Retained profits	1,510,558	231,507	1,510,558	231,507
Non-controlling interest	16,013	2,454	16,013	2,454
Bonds to be issued[3]	–	–	40,193	6,160
Total equity	**2,909,515**	**445,910**	**2,949,708**	**452,070**
Total capitalisation[4]	**3,707,642**	**568,230**	**3,747,835**	**574,390**

Notes:

(1) As at 31 December 2020, we had deposits from customers, amounts due to banks and other financial institutions, certificates of deposits issued, balances under repurchase agreements, credit commitments (such as approved loans, undrawn credit card limits, letters of credit, financial guarantees and bank acceptances) and other commitments and contingencies, including outstanding litigation, that arise from its ordinary course of business.

(2) Since 31 December 2020, we have issued additional debt securities in the ordinary course of business.

(3) Bonds to be issued represents the principal amount of the Bonds offered hereby.

(4) Total capitalisation equals the sum of debt securities issued and total equity.

(5) Translation from RMB to U.S. dollar are made at the exchange rate as at 31 December 2020: U.S.$1.00 to RMB6.5249.

Save as disclosed in this Offering Circular, there has not been any material change in the capitalisation of the Group since 31 December 2020.

DESCRIPTION OF THE BANK

OVERVIEW

We rank first place in the PRC banking industry in terms of each of total assets, market share of loans and market share of deposits for the past three years. In 2020, we ranked first among the "Top 1000 World Banks" by The Banker, ranked first place among the "Global 2000" by Forbes and ranked first in the list of commercial banks of the "Global 500" by Fortune for the eighth year in a row. We also ranked first among the "Top 500 Banking Brands" by Brand Finance for the fifth consecutive year.

Established on 1 January 1984, we were restructured to become a joint-stock limited company on 28 October 2005. On 27 October 2006, we were successfully listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange.

We have developed into the leading listed bank in the world, possessing a wide customer base, a diversified business structure, strong innovation capabilities and market competitiveness. We have established presence in six continents, with a global network covering 49 countries and regions and 426 overseas institutions as at 31 December 2020. In addition, through our equity participation in Standard Bank Group Limited, we indirectly cover 20 countries in Africa. We provide comprehensive financial products and services to approximately 8.60 million corporate customers and over 680 million personal customers via our distribution channels domestically, internationally and as well as through our E-banking network comprising a range of internet and telephone banking services and self-service banking centres, forming a diversified and internationalised operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in the commercial banking sector. As one of the leading commercial banks in terms of global presence and asset size, we implemented the "Belt and Road Initiative". We have carried out a number of projects and maintained 124 institutions in 21 countries and regions along the "Belt and Road" as at 31 December 2020.

We provide customers with a wide range of financial products and services and have formed a cross-market, internationalised and integrated business model with a focus on commercial banking. We have maintained a leading position among PRC commercial banks in most of our core and emerging businesses.

We believe that "Industrial and Commercial Bank of China" is one of the most recognised financial service brand names in the PRC with significant international influence. We have won numerous awards over the years, including, among others:

- the first place among the "Global 2000" for the eighth consecutive year in 2020 by *Forbes*;
- the first place among the "Top 1000 World Banks" for the eighth consecutive year in 2020 by *The Banker*;
- the first place in the list of commercial banks of the Global 500 for the eighth consecutive year in 2020 by *Fortune*;
- the first place among the Top 500 Banking Brands for the fifth consecutive year in 2020 by *Brand Finance;*
- the first place among the "Corporate Brand Value List" for the fifth consecutive year in 2020 by *China Council for Brand Development*;
- "The Hong Kong Corporate Governance Excellence Awards" in 2020 by *The Chamber of Hong Kong Listed Companies;*
- "Best Bank in China", "Best Corporate Bank in China" and "Most Creative Bank in China" in 2020 by *Global Finance*; "Best Mega Retail Bank in China", "Best API and Open Banking Implementation" and "Best Asian International Cash Management Bank in Asia Pacific" in 2020 by *The Asian Banker*; and

- "Best Bank, China", "Best Bond Advisor in China" and "Best Insurance Custodian Bank in China" in 2020 by *The Asset*;

- "Best Retail Bank for Online Banking 2020", "Overall Best Gold Bank" and "Best Bank for Domestic Debt Capital Markets 2020" in 2020 by *Asiamoney*;

- Effectiveness Award for Supporting China's Winning the "Three Critical Battles", Effectiveness Award for Practicing the Belt and Road Initiative and Effectiveness Award for Best Inclusive Finance in 2020 by China Banking Association.

We strive to duly implement the organic unification of economic and social responsibilities, gaining wide social recognition for supporting economic and social development, protecting environment and resources, and participating in community services. In recent years, we have won awards from various institutions including "Best Social Responsibility Financial Institution Award" and "Best Social Contribution Award" by China Banking Association and "Best Chinese State-owned Listed Companies on Corporate Social Responsibilities Award" by *Southern Weekly*.

For the years ended 31 December 2018, 2019 and 2020, we achieved profit for the year of RMB298,723 million, RMB313,361 million and RMB317,685 million, respectively. As at 31 December 2018, 2019 and 2020, we had total assets of RMB27,699,540 million, RMB30,109,436 million and RMB33,345,058 million, respectively, and our net loans and advances to customers totalled RMB15,046,132 million, RMB16,326,552 million and RMB18,136,328 million, respectively.

RECENT DEVELOPMENTS

Issuance of Undated Additional Tier 1 Capital Bonds

The Bank considered and approved the proposal on the issuance of undated additional tier 1 capital bonds with a write-off feature in China's national inter-bank bond market of an amount not more than RMB100 billion at its second extraordinary general meeting of 2020 held on 26 November 2020. On 29 March 2021, the Bank further announced that it has received CBIRC's approval on the aforementioned proposed issuance of undated additional tier 1 capital bonds in the domestic market.

In June 2021, the Bank publicly issued undated additional tier 1 capital bonds of RMB70 billion in China's national inter-bank bond market. All proceeds from this issuance, after deduction of issuance expenses, will be used to replenish the Bank's additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

Issuance Progress of Tier 2 Capital Bonds

In January 2021, the Bank publicly issued tier 2 capital bonds of RMB30 billion in China's national inter-bank bond market. All proceeds will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

The Bank considered and approved the proposal on the issuance of eligible tier 2 capital instruments with a write-off feature in domestic and offshore markets of an amount not more than RMB190 billion or an equivalent value in foreign currency at its 2020 annual general meeting held on 21 June 2021.

The actual issuance of the tier 2 capital instruments of the Bank is subject to further approvals from other relevant regulatory authorities as well as market conditions.

COVID-19 Impact and Response

In 2020, the global economy was largely impacted by the COVID-19 pandemic. In order to overcome the impact of the COVID-19 pandemic and changes to the external environment on our businesses and help our clients and the society to overcome such difficult times together, we have put in place a number of methods.

In 2020, we actively implemented the fee reduction and profit concession policies, increased the support of financial services for the real economy, strengthened risk prevention and control in order to maintain prudential operation and development of our businesses.

We also timely adjusted our credit strategy to support the development of the real economy and meet the funding demands for prevention and control of the pandemic, resumption of work and production, emergency loans and deferral of repayment of principal and interest which helped enterprises affected by the pandemic to relieve some of their temporary operational difficulties.

In responses to the COVID-19 pandemic, we actively provided our clients with more digital and contactless customer services. Our offline intelligent self-service channels can now be used to handle 299 personal and corporate services, including more than 130 "medialess" services, covering most services that are frequently used by our customers.

In addition, we actively invested in bonds from areas affected by the pandemic and bonds whose proceeds will be mainly used for pandemic prevention and control, in order to provide strong financing support for the pandemic prevention and control.

Although China has managed to control the pandemic effectively, in 2021, the control and vaccination against COVID-19 remain the major factors affecting economic recovery across the world. We will continue to closely monitor the evolving situation of COVID-19 and evaluate and proactively assess and respond to its impact on our financial position and operating results. For further information, please refer to the following risk factors in the section "*Risk Factors – Risks Relating to Our Loans, Deposits and Investments – Our business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC*" and "*Risk Factors – Risks Relating to the PRC – Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations*".

2021 Interim Results Announcement

On 27 August 2021, the Group published its 2021 interim results announcement on the website of the Hong Kong Stock Exchange. The 2021 interim results announcement contain financial information extracted from interim financial reports prepared by the Bank in accordance with IAS 34 under IFRS which has been reviewed by Deloitte.

Overview of Business Operation

The year of 2021 marks the 100th anniversary of the founding of the Communist Party of China. Around this historic point of advancing from the first centenary goal to the second one, the Bank followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhered to the general principle of pursuing progress while ensuring stability, and comprehensively implemented the decisions of the CPC Central Committee and the State Council. It focused on the new development stage, acted on the new development philosophy, and served the new development paradigm, in an endeavour to promote the high-quality development. In accordance with the "48-character" guideline, the Bank took solid steps to advance the implementation of new development plan, maintaining a good momentum of steady growth in operation and delivering an interim result which were better than expected and than that of the same period of last year.

In terms of operational indicators, the foundation for stability is growing more solid. In the first half of 2021, the Group's operating income reached RMB426.4 billion, indicating an increase of 6.0 per cent. compared to the same period of last year; its profit before provision hit RMB332.6 billion, representing an increase of 5.7 per cent. compared to the same period of last year; and its net profit amounted to RMB164.5 billion, an increase of 9.8 per cent. compared to the same period of last year. As at 30 June 2021, the Group's NPL ratio stood at 1.54 per cent., decreasing by 0.04 percentage points from the end of last year; allowance to NPLs reached 191.97 per cent., increasing by 11.29 percentage points from the end of last year; and capital adequacy ratio was 17.01 per cent., increasing by 0.13 percentage points from the end of last year. Both return on average total assets and return on weighted average equity stayed higher than the same period of last year. The steady improvement in these main indicators, on the one hand, benefited from the base effect of last year, and on the other hand, resulted from continuous efforts in promoting the high-quality development.

In terms of serving the real economy, greater progress is being made. The Bank focused on serving the new development paradigm and intensified the support for ensuring stability on six key fronts and maintaining security in six key areas. It made efforts to increase the aggregate investment and financing volumes and to direct the funds towards targeted projects, and actively implemented the fee reduction and profit concession policy. In the first half of 2021, new RMB loans issued by domestic branches reached RMB1.26 trillion, representing an increase of RMB164.4 billion compared to the same period of last year. Net increase in bond investment was RMB318.6 billion, and the amount of debt financing instruments issued by the Bank as the lead underwriter to non-financial enterprises ranked the top in the market. The new financing mainly went to the key areas and weak links of the real economy. Project loans saw an increase of 9.0 per cent., which mainly flowed to the major projects in the 14th Five Year Plan and other operations involving areas of weakness. The balance of loans to the high tech fields under the key support of the state topped RMB1 trillion. The Bank launched the first "carbon neutrality" bond and the first loan secured by mortgages for carbon emissions rights, with the balance of green loans exceeding RMB2 trillion. The proportion of loans to manufacturing industry including medium to long-term loans kept growing. As at 30 June 2021, the inclusive loans to small and micro enterprises increased by 40.4 per cent. compared to the beginning of the year, of which, the number of first-time borrowers increased by more than 40 per cent. compared to the same period of last year, and the average interest rate of new inclusive loans dropped further. The Bank's "ICBC Xingnongtong" brand came into the market, and the balance of agriculture-related loans exceeded RMB2.5 trillion, demonstrating The Bank's all-out efforts in rural revitalisation. Regulatory requirements have been met by stabilising the granting of property loans and decreasing the proportion to total loans.

In terms of risk control, the good momentum continued. With a balance between development and security, the Bank advanced the construction of the enterprise risk management system with enhanced digital and intelligent controls, striving to forestall and defuse the risks of existing and new loans as well as traditional and non-traditional risks. The Bank implemented the new rules for credit approval in all domestic branches and adopted both temporary and permanent solutions to ensure the quality of credit assets. Thus, the proportion and amount of overdue loans, the price scissors and other indicators continued to improve. The Bank fully implemented the identification and accountability mechanism for risk responsibilities and strengthened internal controls and case prevention. The Bank reinforced the management and control of emerging risks such as climate and model risks, and proactively responded to fluctuations in the global financial market. By doing so, the Bank made the overall risks under control. With a solid concept to save capital, the Group's risk-weighted assets (RWA) grew slower than its loans and assets. The Bank devoted sound and meticulous efforts to pandemic prevention and control, flood protection, disaster relief, etc., with effective measures taken to maintain the safety of personnel and operations.

In terms of transformation and innovation, new stronger drivers are emerging. Following the 14th Five-Year Plan and Long-Range Objectives through the Year 2035, the Bank formulated and implemented a new round of development plan, brought out our strengths to make up for our weaknesses and laid a solid foundation, making more efforts to serve the new development pattern and promote high-quality development. New achievements have been made in personal banking, foreign exchange business, key areas, and urban-rural collaborative development strategy, with a larger number of new growth points and poles taking shape faster. The global institutional network layout saw improvements, the Panama Branch officially opened, the RMB internationalisation advanced steadily and prudently, and the joint venture wealth management company obtained approval to be established. In the focused areas of data, scenarios, and ecological development, the Bank stepped up digital transformation and initiated innovative pilot programmes for e-CNY business, striving to build itself into a sci-tech bank. As for the areas such as government services and people's well-being, the Bank deepened the government, business and consumption (GBC) interconnection. Focusing on people's "urgent needs, difficulties, worries and expectations", the Bank offered more convenient and favourable financial services. As at the end of June 2021, the Bank served a total of 690 million personal customers and more than 9.20 million corporate customers. The customer system of coordinated development of micro, small, medium and large enterprises continued to improve.

Summary of the 2021 Interim Results

The consolidated statement of profit or loss for the six months ended 30 June 2021 and the consolidated statement of financial position as at 30 June 2021 set forth below are extracted and derived from the Group's interim financial statements as at and for the six months ended 30 June 2021 incorporated by reference in this

Offering Circular. Prospective investors should read the summary financial information set forth below in conjunction with the full Group's interim financial statements incorporated herein by reference.

The 2021 interim results announcement contain financial information extracted from interim financial reports prepared by the Bank in accordance with IAS 34 under IFRS which has been reviewed by Deloitte.

Summary Consolidated Statement of Profit or Loss

The following table sets forth, for the periods indicated, selected items from the Group's consolidated statement of profit or loss.

	(In RMB millions, unless otherwise stated)	
	Six months ended 30 June	
	2021	**2020**
Net Interest Income	336,293	319,891
Net Fee and Commission Income	75,943	75,558
Net trading income/(expense)	6,047	(1,635)
Net gain on financial investments	2,952	7,987
Other operating income, net	5,171	545
Operating Income	426,406	402,346
Operating expenses	(94,991)	(87,925)
Impairment losses on assets	(124,547)	(125,456)
Operating Profit	206,868	188,965
Share of profits of associates and joint ventures	1,202	386
Profit before taxation	208,070	189,351
Income tax expense	(43,561)	(39,555)
Profit for the period	164,509	149,796
Profit for the period attributable to:		
Equity holders of the parent company	163,473	148,790
Non-controlling interests	1,036	1,006

Summary Consolidated Statement of Financial Position

The following table sets forth, as at the dates indicated, selected items from the Group's consolidated statement of financial position.

(In RMB millions, unless otherwise stated)

	30 June 2021	31 December 2020
	(unaudited)	*(audited)*
Assets		
Cash and balances with central banks	3,652,276	3,537,795
Due from banks and other financial institutions	1,018,469	1,081,897
Derivative financial assets	111,102	134,155
Reverse repurchase agreements	1,014,726	739,288
Loans and advances to customers	19,452,291	18,136,328
Financial investments	8,845,650	8,591,139
Investments in associates and joint ventures	43,015	41,206
Property and equipment	283,447	286,279
Deferred income tax assets	74,926	67,713
Other assets	640,382	729,258
Total assets	35,136,284	33,345,058
Liabilities		
Due to central banks	42,668	54,974
Financial liabilities designated as at fair value through profit or loss	88,383	87,938
Derivative financial liabilities	87,505	140,973
Due to banks and other financial institutions	2,977,531	2,784,259
Repurchase agreements	299,476	293,434
Certificates of deposit	305,517	335,676
Due to customers	26,602,333	25,134,726
Income tax payable	61,253	89,785
Deferred income tax liabilities	2,999	2,881
Debt securities issued	781,671	798,127
Other liabilities	840,141	712,770
Total liabilities	32,089,477	30,435,543
Total equity	3,046,807	2,909,515
Total equity and liabilities	35,136,284	33,345,058

Summary of Key Financial and Operating Indicators

The following table set forth a summary of the Group's key financial and operating indicators of the periods or as at the dates indicated.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2019
Profitability (%)			
Return on average total assets[(1)]	0.96*	0.95*	1.17*
Return on weighted average equity[(2)]	11.90*	11.70*	14.41*
Net interest spread[(3)]	1.93*	2.02*	2.16*
Net interest margin[(4)]	2.12*	2.20*	2.35*
Return on risk-weighted assets[(5)]	1.60*	1.56*	1.91*
Ratio of net fee and commission income to operating income	17.81	18.78	19.41
Cost-to-income ratio[(6)]	21.19	20.76	21.13

	30 June 2021	31 December 2020	31 December 2019
Asset quality (%)			
Non-performing loans ("NPLs") ratio[(7)]	1.54	1.58	1.43
Allowance to NPLs[(8)]	191.97	180.68	199.32
Allowance to total loans ratio[(9)]	2.96	2.85	2.86
Capital adequacy (%)			
Core tier 1 capital adequacy ratio[(10)]	12.90	13.18	13.20
Tier 1 capital adequacy ratio[(10)]	14.28	14.28	14.27
Capital adequacy ratio[(10)]	17.01	16.88	16.77
Leverage Ratio[(11)]	8.05	8.14	8.31
Total equity to total assets ratio	8.67	8.73	8.94
Risk-weighted assets to total assets ratio	59.99	60.35	61.83

Notes: * indicates annualised ratios.

(1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.

(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.

(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

(10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

(11) Calculated in accordance with the CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015).

The Bank's total assets for the six months ended 30 June 2021 increased to RMB35,136,284 million, representing an increase of 5.4 per cent., as compared with the total assets as at 31 December 2020. The total liabilities registered RMB32,089,477 million, representing an increase of 5.4 per cent., as compared with the total liabilities as at 31 December 2020. As at 30 June 2021, the balance of due to customers was RMB26,602,333 million, RMB1,467,607 million or 5.8 per cent. higher than that as at 31 December 2020. It accounted for 82.9 per cent. of the Bank's total liabilities. In terms of customer structure, the balance due to customers can be categorised into the balance of corporate deposits, personal deposits, other deposits and accrued interest. As at 30 June 2021, the balance of corporate deposits, personal deposits, other deposits and accrued interest was RMB13,514,669 million, RMB12,487,160 million, RMB290,810 million and RMB309,694 million, respectively. As at 30 June 2021, in terms of maturity structure, the balance of time deposits stood at RMB12,745,066 million whereas the balance of demand deposits stood at RMB13,256,763 million. In addition, as at 30 June 2021, the balance due to banks and other financial institutions, repurchase agreements, debt securities issued and other liabilities was RMB 2,977,531 million, RMB299,476 million, RMB781,671 million and RMB1,428,466 million, accounting for 9.3 per cent., 0.9 per cent., 2.4 per cent., 4.5 per cent. of the Bank's total liabilities, respectively. As at 30 June 2021, the total loans and advances to customers stood at RMB 19,996,767 million, RMB1,372,459 million or 7.4 per cent. higher compared with the end of the previous year.

In the first half of 2021, the Bank carried out fee reduction and profit concessions and other policy requirements, actively supported the development of the real economy, and maintained steady business overall. As a result, the Bank reported positive growth in its operating income, profit before provision, net profit and net interest income. During the six months ended 30 June 2021, the operating income amounted to RMB426,406 million, recording an increase of 6.0 per cent. as compared to the same period of last year. During the six months ended 30 June 2021, the profit before provision hit RMB 332.6 billion, representing an increase of 5.7 per cent. as compared to the same period of last year. During the six months ended 30 June 2021, the Bank realised a net profit of RMB164,509 million, representing an increase of 9.8 per cent. as compared to the same period of last year. During the six months ended 30 June 2021, the net interest income amounted to RMB336,293 million, representing an increase of RMB16,402 million or 5.1 per cent. compared to the same period of last year.

As at 30 June 2021, NPLs amounted to RMB307,831 million, showing an increase of RMB13,853 million compared to the end of the previous year, and NPL ratio was 1.54 per cent., with a decrease of 0.04 percentage points compared to the end of the previous year. As at 30 June 2021, the allowance to NPLs was 191.97 per cent., representing an increase of 11.29 percentage points over the end of last year. In addition, as at 30 June 2021, special mention loans amounted to RMB385,357 million, representing a decrease of RMB26,543 million and accounting for 1.93 per cent. of total loans, representing a decrease of 0.28 per cent. from 31 December 2020. As at 30 June 2021, overdue loans stood at RMB266,779 million, representing a drop of RMB728 million from 31 December 2020 and accounting for 1.33 per cent. of the Bank's total loans.

As at 30 June 2021, the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.90 per cent., 14.28 per cent. and 17.01 per cent. respectively, complying with regulatory requirements. As at 30 June 2021, the capital adequacy ratio was 17.01 per cent., increasing by 0.13 percentage points from the end of last year. As at 30 June 2021, the leverage ratio was 8.05 per cent., decreasing by 0.09 percentage point from the end of last year.

Both return on average total assets and return on weighted average equity stayed higher than the same period of last year. In the first half of 2021, the annualised return on average total assets stood at 0.96 per cent., increasing by 0.01 percentage points from 30 June 2020. In the first half of 2021, annualised return on weighted average equity was 11.90 per cent., increasing by 0.2 percentage points from 30 June 2020.

During the six months ended 30 June 2021, the Bank set aside the impairment losses on assets of RMB124,547 million, a decrease of RMB909 million or 0.7 per cent. as compared to the same period of last year. Specifically, the impairment losses on loans was RMB102,257 million, indicating a decrease of RMB9,448 million or 8.5 per cent.

Segment information

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking, treasury operations and other, based on internal organisation structure, management requirement and internal reporting system. Below is a summary of the segment information for the six months ended 30 June 2021.

Summary Operating Segment Information

In RMB millions, except for percentages

	Six months ended 30 June 2021		Six months ended 30 June 2020	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Operating income	**426,406**	**100.0**	402,346	100.0
Corporate banking	**205,969**	**48.3**	200,773	49.9
Personal banking	**169,370**	**39.7**	156,888	39.0
Treasury operations	**48,889**	**11.5**	42,476	10.6
Other	**2,178**	**0.5**	2,209	0.5
Profit before taxation	**208,070**	**100.0**	189,351	100.0
Corporate banking	**72,846**	**35.0**	77,613	41.0
Personal banking	**97,294**	**46.8**	78,123	41.3
Treasury operations	**37,627**	**18.1**	34,301	18.1
Other	**303**	**0.1**	(686)	(0.4)

Summary Geographical Segment Information

In RMB millions, except for percentages

	Six months ended 30 June 2021		Six months ended 30 June 2020	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Operating income	**426,406**	**100.0**	402,346	100.0
Head Office	**67,251**	**15.8**	55,780	13.9
Yangtze River Delta	**68,536**	**16.1**	66,464	16.5
Pearl River Delta	**53,468**	**12.5**	51,869	12.9
Bohai Rim	**73,048**	**17.1**	71,327	17.7
Central China	**52,666**	**12.4**	49,843	12.4
Western China	**62,990**	**14.8**	60,854	15.1
Northeastern China	**14,630**	**3.4**	15,610	3.9
Overseas and other	**33,817**	**7.9**	30,599	7.6
Profit before taxation	**208,070**	**100.0**	189,351	100.0
Head Office	**19,123**	**9.2**	19,503	10.3
Yangtze River Delta	**39,772**	**19.1**	32,900	17.4
Pearl River Delta	**27,489**	**13.2**	27,560	14.6
Bohai Rim	**39,277**	**18.9**	36,250	19.1
Central China	**26,250**	**12.6**	21,386	11.3
Western China	**31,891**	**15.3**	29,897	15.8
Northeastern China	**3,128**	**1.5**	6,150	3.2
Overseas and other	**21,140**	**10.2**	15,705	8.3

Business Development

Implementation Effects of Key Strategies

During the six months ended 30 June 2021, the Bank continued to form the pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation". Institutional banking, corporate banking, transaction banking, and settlement as four superior business lines of the Bank continued to grow at high levels and achieved significant results in the coordinated implementation of key strategies.

The No. 1 Personal Bank Strategy was implemented at greater depth, with coordinated advantages appearing gradually. First, there were interactions among government, business and consumption. Second, customer base was further consolidated. At 30 June 2021, the personal assets under management reached RMB16.6 trillion. At 30 June 2021, the personal deposits amounted to RMB12,487,160 million, representing an increase of 7.1 per cent. compared with 31 December 2020. At 30 June 2021, the personal loans amounted to RMB7,575,803 million, representing an increase of 6.5 per cent. compared with 31 December 2020. Third, the fund flow demonstrated the continuously improved activity level. At the end of the six months ended 30 June 2021, the Bank registered 443 million customers of personal mobile banking, and maintained more than 100 million active users of personal mobile banking in the month, putting the Bank in a leading position among peers.

The Urban-Rural Collaborative Development Strategy was deployed at a high level from a high starting point. First, the Bank built a new strategic layout of financial services for rural revitalisation, featuring "urban + countryside", "physical + digital" and "online + offline". At 30 June 2021, offline channels covered over 85 per cent. of counties nationwide, with rapid growth in personal customers there. Second, investment and financing supply was optimised. The Bank shored up service innovation, launching 150 financing products targeted at agriculture-related industrial chain and supply chain as well as over 60 agriculture-pro products with regional characteristics. Besides, it underwrote rural revitalisation bonds worth RMB15.6 billion. Third, initial achievements have been made in technology empowerment. Progress was made in the coordination of other key strategies. The Preferred Bank Strategy for Domestic Foreign Exchange Business was implemented at greater depth. The Strategy for Sharpening Competitive Edge in Key Regions was advanced steadily. At 30 June 2021, the Bank posted outstanding loans of various types in five key regions (Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Central China, and Chengdu-Chongqing region) of over RMB13 trillion.

Development and Innovation in Wealth Management Business

The Bank actively sought to meet the diversified needs of residents for wealth allocation during the transition period to the New Rules on Asset Management, moved faster to integrate and reshape many business chains of the Group such as banking, wealth management, funds, and insurance, and provided customers with one-stop product options and professional investment advisory services, in an effort to create a competitive, sustainable wealth management business model. At the end of the six months ended 30 June 2021, the scale of the Bank's assets under management was RMB4.67 trillion and the scale of assets under custody was RMB20.64 trillion, thus maintaining its comparative advantage as the largest asset management financial group in China.

Balance sheet services were provided to the broadest customer base. the Bank continued to replace the concept of deposit and loan operations with the business tenet of serving customers' balance sheet. The Bank promoted AUM management for personal customers and FPA total financing management for corporate customers. It provided a wide range of diversified, personalised wealth management services for over 690 million personal customers, 9.20 million corporate customers, 19.30 million pension customers, and 198 thousand private banking customers.

A group-wide, multi-dimensional wealth management product line took shape. Relying on the Group's business advantages in asset management, custody services, pension funds, and other areas, the Bank interacted with integrated subsidiaries engaged in fund management, insurance, leasing, investment banking, and wealth management, among other businesses to continuously boost investment management and research capabilities, create an asset management business regime that supported the allocation of funds across the market, and create value throughout the business chain, in order to provide customers with a diversity of integrated professional services.

An open wealth management platform was set up. Apart from its diversified product offering, the Bank also leveraged its significant advantages in digital and platform-based operations to create an online, one-stop, and comprehensive "Financial Supermarket" for customers and kept improving the construction of the open wealth management system.

Intensified efforts were made to empower wealth management with FinTech. First, the intelligent marketing system helped expand the wealth management ecosystem. Second, an intelligent risk control system was available to guarantee wealth safety. Third, a new technological architecture consisting of "core business system + open ecosystem" was established to turn the Bank into a boundless bank.

Nomination of External Supervisor

The meeting of the board of supervisors of the Bank held on 27 August 2021 considered and approved the proposal on the nomination of Mr. Zhang Jie as candidate of external supervisor of the Bank and to submit such proposal to the general meeting of shareholders for consideration and approval.

Nomination of Non-Executive Director

The meeting of the board of directors of the Bank held on 27 August 2021 considered and approved the proposal on nomination of Mr. Dong Yang as candidate of non-executive director of the Bank. Mr. Dong was recommended by Huijin. Mr. Dong's appointment as non-executive director of the Bank is subject to the consideration and approval by the general meeting of shareholders of the Bank and is further subject to the approval by the CBIRC after the approval from the general meeting of shareholders of the Bank having been obtained. Mr. Dong's term of office as non-executive director of the Bank will commence on the date when the approval from the CBIRC has been obtained.

Appointment of the Chairman of the Board of Supervisors

On 29 July 2021, the first extraordinary general meeting of 2021 of the Bank considered and approved the Proposal on the Election of Mr. Huang Liangbo as Shareholder Supervisor of the Bank. Mr. Huang's term of office as Shareholder Supervisor and the Chairman of the Board of Supervisors of the Bank commence upon the consideration and approval at the general meeting of shareholders of the Bank.

Appointment of Executive Director

On 29 July 2021, the first extraordinary general meeting of 2021 of the Bank considered and approved the Proposal on the Election of Mr. Wang Jingwu as Executive Director of the Bank. Recently, the Bank received an approval from the CBIRC in relation to Mr. Wang's qualification as Executive Director of the Bank. Pursuant to the relevant requirements, the qualification of Mr. Wang as Executive Director of the Bank has been approved by the CBIRC. The appointment of Mr. Wang as Executive Director of the Bank has become effective.

OUR COMPETITIVE STRENGTHS

We possess a leading market position in the PRC with growing international influence.

We have set our vision to become "a world-class and modern financial enterprise with global competitiveness by adhering to the principles of 'delivering excellence, sticking to our founding mission, customers' favourite, leading in innovation, security and prudence, and people-oriented'". We believe that "Industrial and Commercial Bank of China" has become one of the PRC's best-known brand names in the financial services industry, and our international influence is also expanding rapidly.

We rank first in the PRC banking industry in terms of each of total assets, market share of loans and market share of deposits, and we benefit from the scale of our operations. Based on statistics of the PBOC, as at 31 December 2020, our corporate customers increased by 545,000 over the end of the previous year to 8,643,000. We ranked first in the PRC banking industry in terms of the balance of our corporate loans, with the growth exceeding RMB1 trillion for the first time. We also ranked first in the PRC banking industry in terms of both the balance and the growth of our corporate deposits. We are also one of the industry leaders in terms of the size of personal loans. As at 31 December 2020, the balance of our corporate loans reached RMB11,102,733 million, representing an increase of RMB1,146,912 million or 11.5 per cent. as compared to the end of 2019. As at 31 December 2020, the balance of our corporate deposits reached RMB12,944,860 million, representing an increase of RMB916,598 million or 7.6 per cent. as compared to the end of 2019. As at 31 December 2020, we had RMB33,345,058 million in total assets.

We are one of the highest-rated domestic Chinese commercial banks in terms of international credit ratings. Currently, we have a rating of "A" with a stable outlook by S&P and a rating of "A1" with a stable outlook by Moody's.

With respect to our traditional banking business, we have further strengthened our competitive advantages and leading position, and our corporate loans and deposits and individual loans and deposits businesses have been growing steadily in recent years. As at 31 December 2020, Renminbi deposits were RMB23.6 trillion, representing a year-on-year increase of 9.6 per cent. With respect to our emerging businesses and intermediary businesses, we have maintained a high level of growth and development in these areas and further expanded our competitive advantages. In 2020, we enhanced the quality and efficiency of inclusive finance, and our inclusive loans increased by more than 58.0 per cent. from 31 December 2019. Inclusive finance was pushed to increase volume, expand coverage, enhance quality and cut cost. As at the end of 2020, the NPL ratio of our inclusive loans was significantly lower than the average level of our loans, and the risk was stable and controllable.

Leveraging on the growth of the PRC economy, we have enhanced our global influence. In recent years, with our strong corporate culture, management capability and operating performance, we have received numerous industry awards from various well-known international media publications and other institutions. Please refer to the subsection "– *Overview*" above for further information.

We have transformed our business operations successfully and have created a leading business model in the PRC banking industry.

We have transformed our business and optimised our business structure to create a business model that we believe balances risks and benefits and has strong sustainability. We have optimised our asset and liability structure. With respect to assets, our returns on loans have stayed strong, while maintaining a low proportion of high-risk assets. As at 31 December 2020, our risk-weighted assets to total assets ratio was 60.35 per cent. and our loan-to-deposit ratio was 72.8 per cent. At the same time, in view of the state of the PRC economy and from the state macro-control policy, we have maintained reasonable and balanced growth of our total amount of credit, and, on this basis, we have shifted the focus of our work to the adjustment and optimisation of our credit structure and the cultivation of new growth areas. We have optimised our corporate loan product mix in terms of industry allocation, customer allocation and geographical allocation. We have supported the "13th Five-Year Plan", "14th Five-Year Plan", "four regions", "three supporting belts", the construction of Xiong'an New Area and Beijing Sub-centre, and other key projects and programmes. We have also implemented counter-cyclical policies and increased financing support. As at and for the year ended 31 December 2020, we registered new domestic RMB loans of RMB1.88 trillion, representing a year-on-year increase of RMB549.10 billion. As at 31 December 2020, our bond investments grew by RMB1.19 trillion over the beginning of 2020, ranking the first in the market. In terms of RMB bond investment, we actively invested in various bonds to boost the growth of the real economy. We actively invested in bonds from areas affected by the pandemic and bonds whose proceeds will be mainly used for pandemic prevention and control, in order to provide strong financing support for the pandemic prevention and control. In 2020, to support COVID-19 containment, bring enterprises back to business and serve the high-quality development of the real economy, we carried out special actions to support COVID-19 relief efforts, the resumption of work and production, stabilise and strengthen supply chain, facilitate foreign trade and foreign investment and help Hubei and Wuhan to fight with COVID-19. As at 31 December 2020, the amount of loans we granted to manufacturing industry increased by RMB222.9 billion with medium to long-term manufacturing loans grew by 46.7 per cent. as compared to the end of 2019. As at 31 December 2020, the loans to private enterprises increased by 12.4 per cent. as compared to the end of 2019. By actively improving the development of green finance system and service innovation in green finance, our balance of the green loans amounted to RMB1.85 trillion as at 31 December 2020.

We continue to leverage on our global service network and cross-border integrated service advantages to build a cross-border integrated RMB service system of full chain, full product lines and full life cycle, covering settlement, clearing, investment and financing, financial markets, bond underwriting, asset management, asset custody, and cross-border e-commerce We promoted the innovative development of cross-border RMB business in key regions, including the Lingang New Area in Shanghai, Guangdong Hong Kong-Macau Greater Bay Area and Hainan Free Trade Port. In 2020, the cross-border RMB business volume exceeded RMB7.2 trillion.

We have continued to optimise our income structure. We significantly enhanced our efforts to develop low capital consumption intermediary businesses and emerging businesses. In addition, we have pushed forward the diversification of our businesses and promoted a more diversified income structure. We believe our intermediary businesses lead our peers in terms of volume. For the year ended 31 December 2020, our net fee and commission income was RMB131.2 billion, representing an increase of 0.5 per cent. as compared to 2019. Although hit by the COVID-19 pandemic, we persisted in business transformation and implementation of fee reduction and profit concession policies, resulting in the income decrease on bank card, investment banking, guarantee and commitment businesses.

We have established an extensive customer base and effective distribution channels.

We have an extensive customer base. In 2020, our personal customers reached 680 million and we were the first in the banking industry whose monthly active Internet banking customers reached 100 million. The number of personal mobile banking customers amounted to 416 million and we ranked first in the PRC banking industry in terms of total number, increment and average monthly number of active personal mobile banking customers. We have an industry-leading corporate customer base, and the number of high-quality corporate banking customers has been increasing. Our optimised customer structure has not only provided us with steady sources of funds and promoted the sound growth of our corporate credit business, but also has laid a solid foundation for the fast growth of our corporate intermediary business. The proportion of our customer base represented by medium and high-end individual customers has increased rapidly in recent periods. Our high-end individual customer base provides strong support for the further development of our personal financial products and services and steady progress was made in the transformation of businesses such as asset management, private banking and investment banking.

We have established a well-structured, extensive and efficient distribution network and continue to improve our international network. As at 31 December 2020, we had 426 overseas institutions in 49 countries and regions and indirectly covered 20 African countries through our equity participation in Standard Bank Group Limited. We also established correspondent relationships, establishing a service network covering Asia, Africa, Latin America, Europe, North America and Australia, including major international financial centres. We have strengthened our network by adjusting the geographical allocation of our branch network and upgrading outlets. We have further diversified our distribution channels in order to enhance our ability to provide individualised services. We have continued to upgrade our operational network, strengthen the build-up of our customer management team and improve our multi-level customer service system and our customer service capabilities.

We have a leading position in the industry in terms of E-banking capability and technological development and continue to focus on FinTech.

We have actively promoted our electronic banking platform, E-banking, as a substitute for traditional physical outlets. Through our customer- and market-oriented services, we have consolidated our leading position in E-banking, accelerated the development of new fields, markets and customers, as well as the expansion of overseas businesses. To ensure balanced and rapid development of the scale, quality and efficiency of our E-banking business, we have further strengthened our risk prevention and control capabilities.

We believe we have a leading position in the industry in terms of our E-banking capability. In 2020, we ranked at first place in the banking industry for seven consecutive years in CBIRC's IT supervision ratings. Seven of our achievements won the annual Banking Technological Development Award from PBOC, which is the most among our peers in the PRC banking industry. In particular, the distributed technology system received the first prize of the above award. We won the "Best Financial Innovation Award" from *The Chinese Banker* for the fifth consecutive year. Besides, we were rated with multiple FinTech innovation awards, e.g. "Best Internet of Things Implementation in China", "Best Process Automation Implementation in China" and "Best API and Open Banking Implementation" by *The Asian Banker*.

In 2020, we also focused on the development of FinTech. Sticking to our duty of serving the real economy and the dual-wheel drive of system reform and technological innovation, we continued to strengthen our internal power and growth momentum. We accelerated digital transformation, advanced the "Digital ICBC" initiative, improved financial availability, convenience, and accuracy, and helped drive the digital transformation of the entire country. We sought self-reliance in technology. With a successful progress in ECOS development, we stepped up empowerment through financial inclusion technology.

We have further enhanced our risk management and internal control capability by establishing an advanced, quantitative and comprehensive risk management system.

We improved the Group's risk governance system and improved the global, comprehensive and brand-new risk management system involving all personnel, spanning all processes and covering all risk exposures under the principles of "active prevention, smart control and comprehensive management" and put in place the four-pronged risk management approach to people, money, defence line and bottom line, realising the full coverage and precise control of risks in each segment of the institutions and all types of risks. We reinforced the management of "Three Gates" and "Seven-colour Pools" and launched the new regulation on credit approval, steadily pushed forward the resolving of credit risks in an orderly manner and continued to improve credit asset quality. For the year ended 31 December 2020, we recovered and disposed of RMB217.6 billion NPLs, representing an increase of RMB28.9 billion over the previous year. In 2020, we also improved the development of "Rong An e" risk control systems and built the smart risk control brand. We strengthened the analysis and anticipation of market conditions, dynamically revised the investing and trading strategies and continued to improve the capacity for identifying, measuring, giving early warning on and controlling market risks to effectively tackle market fluctuations. We continued to manage operational, liquidity and reputational risks well, fostered the compliance culture and performed compliance management of domestic and overseas institutions.

Our industry-leading risk management capability has helped us to maintain a low NPL ratio in terms of newly issued loans. Our NPL ratios as at 31 December 2018, 2019 and 2020 were 1.52 per cent., 1.43 per cent. and 1.58 per cent., respectively. As at 31 December 2020, the ratio of overdue loans was 1.44 per cent., decreased 0.16 percentage points from the end of 2019. The price scissors between overdue loans and NPLs turned negative for the first time in 2020.

Our advanced information technology systems provide strong support for our business innovation and development.

We believe that we have one of the most advanced information technology systems in place among all commercial banks in the PRC. Since our initial public offering, we have focused on implementing our "technology driven" development strategy. Our advanced information technology systems have enabled us to maintain a competitive position in various fields such as customer service, product innovation, risk management, operation process re-engineering and electronic banking network expansion.

We have maintained the security and stability of our information technology systems despite a significant increase in our business volumes. We were the first among the five major PRC commercial banks (Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Bank of China Limited, Agricultural Bank of China Limited and Bank of Communication Co., Ltd) to achieve data centralisation, and we were the first large-scale commercial bank in the PRC to adopt a centralised full-function banking system that enables real-time processing of bank-wide data. We have continued to strengthen our information security and protection and improved our disaster recovery systems. The establishment of two key data centres (one primary and one backup) in Beijing and Shanghai in 2002 made us the first among PRC banks to complete the data centralisation. Also, we set up a local data centre in Shanghai in June 2015, enabling a full switchover between data centres within minutes.

We have significant capacity internally for continued research and development of our global banking systems and have researched and developed our fourth generation core information system on our own initiatives. We have increased our technological support for our overseas institutions and completed the establishment of systems relating to RMB clearing at our Singapore Branch. We have extended our integrated business processing system ("**FOVA**") to cover certain of our overseas institutions. We have also promoted the internet banking and mobile banking systems of our wholly owned Hong Kong subsidiary, ICBC (Asia), and have extended our internet banking coverage to our overseas institutions.

We have established a centralised technology organisation system, formed information technology management and information technology approval committees and formulated complete and sound information technology management systems, technical standards and norms in the PRC banking industry. We have one of the largest and strongest technology teams in the PRC banking industry. In 2020, we invested RMB23.819 billion in FinTech and had 35,400 FinTech personnel, accounting for 8.1 per cent. of all of our employees.

We have steadily implemented our internationalisation and integration strategy for development and enhanced our capability as a comprehensive financial services provider.

Since our initial public offering, we have seized development opportunities domestically and overseas and steadily implemented our internationalisation and integration strategies, thereby enhancing our capability in cross-region, cross-market and cross-product services. We have accelerated the establishment of our global operation network and enhanced our international service capability by carrying out the following initiatives:

- with a particular emphasis on Asian and other emerging markets, we have focused on growing our businesses in both emerging and developed markets, have expanded our overseas operation network through both organic growth and strategic mergers and acquisitions and have set up both physical outlets and electronic channels;

- leveraging our overseas integrated business licence as well as the strong product support from FOVA for overseas institutions, we have built up our important global product lines, including retail, funds clearing, trade finance, global cash management, specialty financing, investment banking, bank card, internet banking and asset management, while managing our core businesses including loans, deposits and foreign exchange services; and

- following closely the trend of PRC enterprises expanding their businesses globally, we have promoted the RMB settlement business for cross-border trades and strengthened our integrated ability to serve global customers.

We have established a global network with 426 overseas institutions in 49 countries and regions as at 31 December 2020. On that basis, we have gradually shifted the focus of our internationalisation strategy to the localised, mainstream and differentiated development of overseas institutions. Through strengthening the extension of key product lines abroad and interactions between domestic and overseas operations, we have improved the competitiveness, operation and development of our overseas institutions.

Our overseas branches in Singapore, Luxembourg, Qatar, Canada, Thailand, Argentina and Russia have obtained the qualification to become RMB clearing banks, making us one of the PRC financial institutions with branches with RMB clearing capability in Asia, Europe, and the Americas and establishing a truly global RMB clearing system operating 24 hours a day, seven days a week and a solid foundation for further promoting cross-border RMB transactions. In 2020, our cross-border RMB business volume exceeded RMB7.2 trillion. Our RMB clearing capability has facilitated cross-border RMB transactions and promoted the internationalisation of RMB.

In addition, leveraging our advantages in customer relations, capital management and information technology systems, we have proactively set up and accelerated the development of licenced non-banking financial businesses such as investment banking, fund management, financial leasing and insurance with a view to satisfying our customers' increasingly diversified needs for integrated financial services. ICBC International Holdings Limited ("**ICBC International**") has actively participated in Hong Kong listings by large multinational corporations and domestic companies and has developed its bond underwriting businesses, through which it has created a more balanced and stable income structure. ICBC Credit Suisse Asset Management Co., Ltd. ("**ICBC Credit Suisse Asset Management**") has leveraged its asset management platform, continued to develop new products, expanded its investment management system and realised steady growth in business performance, taking a lead among bank-affiliated fund management companies in the PRC. ICBC Financial Leasing Co., Ltd. ("**ICBC Leasing**") continues to work towards expanding its business, quickening its operating transformation and proactively developing leasing products. Relying on our dominant position, ICBC-AXA Assurance Co., Ltd. ("**ICBC-AXA**") has adopted a strategy of localised and independent operations and development, deepening bancassurance cooperation and intensifying product development efforts. Recently, we also established ICBC Asset Management (Global) Company Limited in Hong Kong, creating a unified global asset management platform for us.

On 8 December 2016, the Board established ICBC Asset Management Co., Ltd ("**ICBC Asset Management**") in Beijing with an investment of RMB12 billion, representing 100 per cent. of the registered capital of ICBC Asset Management. ICBC Asset Management is dedicated to our debt for equity swaps business and is responsible for the overall implementation of the debt for equity swaps business for the entire Group. ICBC Asset Management carries out debt acquisition, debt for equity swaps, asset disposal and other asset management related to debt for equity swaps as required for the debt for equity swaps business, subject to the final scope of business approved by the regulatory authority. The investment has been financed by our own funds. The investment has generated reasonable investment returns for us, promoted the upgrade of our conventional business, expanded the means for our business innovation, improved our diversified financial service capability, and further consolidated the

Group's resources to push forward the specialised operation of business in the relevant fields. The investment has reduced the enterprise leverage ratio and is consistent with our strategy to develop diversified financial services.

Our senior management team has extensive experience, and their vision has helped us maintain our leading position in the PRC banking industry.

Our senior management team has extensive experience in the PRC commercial banking industry. Our chairman, Mr. Chen Siqing, joined us in 2019 and has over 20 years of experience in the PRC banking industry. Our president, Mr. Liao Lin, joined us in 2019 and has over 30 years of experience in the PRC banking industry. Our senior management also has long-term strategic vision and keen insight into the PRC banking industry. Under their leadership, we have established an industry-leading operating model in the PRC. We have actively responded to changes in the external environment, continued our product development and business innovations, established powerful information technology systems and became the first in the PRC banking industry to establish a comprehensive risk management system. Our senior management team has led our transformation from the PRC's largest bank to a leading international bank.

Although we have faced increasing competition in the industry, we have continued our prudent operations, accelerated our business transformation and maintained smooth and steady development under the leadership of our management team. We believe that our strong management team will be able to lead us in maintaining our competitive advantages in the future, laying a solid foundation for our long-term sustainable growth.

OUR STRATEGIES

We will remain guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strive for the goal of building a moderately prosperous society in all respects, follow the "48-character" guideline of "guidance of Party building and strict governance, customer first and serving the real economy, technology driven and value creation, international vision and global operation, pragmatic transformation and reform, solid foundation by risk control and talent-oriented development" and accurately understand the "big, comprehensive, stable, new, optimal and strong" orientation of development. Meanwhile, we will make coordinated effort on regular COVID-19 containment, financial services and business development and provide financial services that are increasingly adaptive, competitive and inclusive. We intend to achieve this through the following strategies:

Continuing to optimise our asset and liability structure.

We aim to optimise our business operations by focusing on new businesses with high-growth potential, including individual loans and loans to small and micro enterprises and medium-sized enterprises, as well as high-growth industries, such as strategic emerging industries, internet sector, service sectors and household products sectors, to further develop our customer base and targeted markets. We intend to maintain a prudent lending policy by promoting our businesses to customers in environmentally friendly sectors and reducing our exposure to industries with high energy consumption and over-capacity. The strategy of "No.1 Personal Bank" will be prioritised to meet the need of citizens. We intend to further mature the investment and financing system to support advanced manufacturing for high-quality development, promote financial development of small and micro enterprises and private enterprises and actively serve the livelihood-related consumption. We aim to proactively respond to national regional development strategies and strives to construct a network of collaborated development, featured development and optimised development among major regions. In line with the rural revitalisation strategy, it will focus on poverty alleviation.

We also plan to focus on low-cost demand deposits and interbank deposits in order to optimise our liability structure and achieve reductions in our cost of capital. In order to optimise our income structure, we aim to continue to focus on low capital consumption intermediary businesses (namely settlement, clearing and cash management, personal wealth management and private banking, investment banking, bank cards and emerging businesses) in order to diversify our business and achieve a more stable and balanced income structure.

Diversifying revenue and asset mix by expanding into higher growth non-credit exposure businesses.

We plan to diversify our revenue sources by continuing to develop our non-credit exposure businesses. We believe that many fee and commission-based products and services will experience stable growth over the next few years as the PRC economy continues to grow, the PRC financial services sector experiences further liberalisation and our customers' banking needs become more sophisticated. We plan to increase our support and investment in asset management and personal banking businesses and to expand into other non-credit exposure businesses such as financial insurance.

- The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

- In personal banking, we plan to further develop personal wealth management and other investment products, standardising services and distribution bank-wide to provide tailored products and services focused on high net worth customers and customer groups with high growth potential.

- In our treasury business, we intend to continue to enhance our investment and trading capabilities, upgrade our trading systems, improve the quality of investment and trading personnel, develop new products and services, strengthen our liquidity management and increase the return on our non-credit exposure assets.

- In addition, in light of the opportunities presented as a result of increasing globalisation of the RMB, we plan to further develop our cross-border RMB businesses and to improve our RMB settlement system.

We believe that by offering a broader range of non-credit exposure products and services coupled with prudent risk management, we will not only improve customer satisfaction and attract new customers, but also create new revenue sources and improve our overall profitability.

Strategically expanding our traditional branch network and enhancing sales and marketing capabilities through electronic banking operations, cross-market and integrated operating platforms.

In order to further enhance the marketing of our products and services and to achieve greater operational efficiencies, we intend to fully leverage our advanced information technology platform and customer relationship management systems. We intend to actively cross-sell our products and services to our existing customers and provide enterprises with more flexible and diverse financial service options through our extensive network, cross-market and integrated operating platforms. Furthermore, we plan to expand our electronic banking operations through upgrading our technology platforms for mobile and internet banking services to deliver more products and services to our customers in a timely, reliable and convenient manner and to further increase revenue derived from our electronic banking platform.

We will also improve on cross-market platforms to render better integrated services. We intend to construct the new ecosystem of internationalised development by steadily driving forward Renminbi internationalisation, striving to become the preferred bank for foreign exchange business and facilitating the opening-up at a higher level. We also seek to refine the layout of integrated development and connect the whole value chain of financial services, in a bid to satisfy customers' demand for "one-stop" financial services.

Continuing to invest in information technology infrastructure and to utilise advanced technology to support our growing business.

We aim to further invest in information technology infrastructure and to apply data analytics, cloud computing and mobile internet technologies in areas such as marketing and sales, customer services, product innovation and risk control in order to support our business, with a focus on the integration of finance and technology. We will continue developing our three major platforms: "ICBC Mall", "ICBC Mobile" and "ICBC Link". We intend to use the technology at our disposal to gain more insight into our customers' demands, to increase our business and risk management capabilities and effectiveness, to strengthen dynamic risk assessment and real time alert controls and to develop an integrated platform combining online and offline services for our customers. For example, on 8 November 2019, the Bank announced that it had officially released ECOS in Beijing. Based on the construction of ECOS, the Bank has reorganised the business structure and set up a new system of intra-group product consolidation, information sharing, process coordination and channel synchronisation. Centring on customers, the Bank will actively push forward the transformation of the customer development concept to "serving the broadest customer base", provide customers with low-cost, highly efficient and individualised services. The Bank will also rely on ICBC Mobile, ICBC Link, ICBC Mall API open platform and ICBC Finance Cloud Platform for cross-sector cooperation, to construct "Finance Plus" hotspot scenarios and build an open, cooperative and win-win financial ecosphere. Following the FinTech development trend, we intend to comprehensively lay out in advanced technology areas such as artificial intelligence, blockchain, cloud computation, big data and internet of things. Technology empowerment will be further highlighted to develop a digital ICBC. The ECOS project will be completed and an "all-customer, full-channel and omni-product" new ecosystem framework set up. Collaboration between technology and business will be enhanced and capacity of agile and iterative development will be improved. The intelligent bank strategy will be carried out in depth and the primary online integrated service platform will be further developed to promote intelligent customer marketing, operation management and risk control online.

Continuing to strengthen risk management and internal control systems.

We believe effective risk management is an essential component of our overall business strategy. We plan to continue to align our risk management and internal control capabilities with international best practises. We intend to continue to implement enhanced risk management procedures for credit exposures, such as improving our risk warning and early identification and prevention and mitigation capabilities. We are also instituting changes to further strengthen the independence of our internal control functions and to improve our bank-wide internal control systems. We also seek to continue to improve our risk management capabilities by enhancing our asset and liability management capabilities and by further centralising our risk management. We will continue to reinforce the "three lines of defence" in risk management and construct a comprehensive risk management system covering the whole staff and whole processes globally, to manage cross and imported risks, safeguard the lifeline of asset quality and prevent and resolve financial risks.

Enhancing employee performance through performance-linked incentive schemes and regular training and development initiatives.

We intend to continue to manage our human resources through various initiatives in order to support our business strategies. We have introduced five career tracks into our human resource system, namely, "management", "profession", "sales", "customer service" and "operation", in order to facilitate employee career development, enhance performance appraisal and remuneration measures. We intend to continue to provide training and development programmes for our employees to enhance their skills and professional development. We also intend to further improve our management and employee incentive system, such that an employee's income is tied to his or her personal performance and the contribution made by his or her respective work units. We believe that through these initiatives, we can attract, retain, motivate and develop a workforce of high quality.

OUR BUSINESS OPERATIONS

Our principal businesses include corporate banking, personal banking, asset management services and treasury operations.

Corporate Banking

We actively supported the construction of infrastructure and major projects that could "make up for shortcomings", especially the high-quality development of manufacturing, backed up the consumption upgrade service industries such as healthcare, education and pension and energetically developed green finance and inclusive finance. We timely adjusted our credit strategy to support the development of the real economy, meeting the fund demand for epidemic prevention and control, resumption of work and production, emergency loans and deferred repayment of principal and interest in special periods and properly relieved the temporary operational difficulties faced by enterprises which were affected by the epidemic.

The volume and price of our corporate loans were coordinated and our deposit growth remained robust. We increased credit granting and ranked first among our peers in terms of the balance of corporate loans, with the growth exceeding RMB 1 trillion for the first time. We transformed our pricing benchmark for existing floating rate loans. Through multi-dimensional expansion, flexible pricing, product innovation and other effective measures, our corporate deposit growth reached a record high and both the balance and the growth of our corporate deposits ranked first in the PRC banking industry.

We increased credit support for key fields and key regions. We granted loans of RMB1.65 trillion to manufacturing companies, representing an increase of RMB2 18.9 billion over the end of 2019, of which, medium to long-term corporate loans amounted to RMB624.5 billion, representing an increase of RMB188.7 billion over the end of 2019. We ranked first in the PRC banking industry in terms of the balance and growth of loans to manufacturing companies and medium to long term corporate loans, which both hit a record high. Our corporate loans granted to private enterprises stood at RMB2.18 trillion, representing an increase of RMB240.5 billion over the end of 2019. The priority of newly increased corporate loans was given to key regions, with 79 per cent. of our newly increased loans were granted to key regions such as Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region.

We believe we have the largest corporate banking customer base in the PRC. As at 31 December 2018, 2019 and 2020, the number of our corporate customers was 7.03 million, 8.10 million and 8.64 million, respectively. We provide a wide range of corporate banking products and services to state owned enterprises, privately owned enterprises, foreign-invested enterprises, government authorities and other entities. Our corporate banking business has maintained a leading position in the PRC banking industry. Our corporate loan business maintained steady growth of loan portfolio size with continued optimisation of term structure and product structure. As at 31 December 2020, the balance of corporate loans reached RMB11,102,733 million, representing an increase of RMB1,146,912 million or 11.5 per cent. from 31 December 2019. We also continue to lead the PRC corporate deposits market, with the proportion between time deposits and demand deposits being generally maintained at a steady level. As at 31 December 2020, the balance of our corporate deposits amounted to RMB12,944,860 million, representing an increase of RMB916,598 million or 7.6 per cent. from 31 December 2019.

Corporate Loans

Corporate loans represent the largest portion of our loan portfolio. Our corporate loans include short-term loans and medium to long-term loans. As at 31 December 2018, 2019 and 2020, our corporate loans were RMB9,418.9 billion, RMB9,955.8 billion and RMB11,102.7 billion, respectively. We actively supported the constructions of ongoing infrastructure projects and major projects for making up shortcomings and offered prominent support to the high-quality development of manufacturing, meeting funding requirements of customers in anti-epidemic service sectors for continuing operations. Therefore, our corporate loans in key areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region remained growing

We provide short-term loans with maturities of up to one year to our corporate banking customers. A substantial majority of our short-term corporate loans are working capital loans including trade finance loans. In addition, we provide our corporate banking customers with bills discounting, factoring and forfeiting loans. As at 31 December 2020, the balance of our short-term corporate loans amounted to RMB2,643.2 billion, accounting for approximately 23.8 per cent. of the balance of our corporate loans.

Our medium to long-term corporate loans generally feature terms ranging from one year to 10 years and primarily comprise project loans and property loans. As at 31 December 2020, the balance of our medium to long-term corporate loans amounted to RMB8,459.5 billion, accounting for approximately 76.2 per cent. of the balance of our corporate loans.

In recent years, we have adopted the following measures to promote the stable growth and structural optimisation of our corporate loans business:

- in response to changes in the macroeconomic environment, we optimised the distribution of our lending and further adjusted our credit structure to promote the stable and healthy development of our credit business;

- we proactively provided support for the real economy, satisfied funding needs of key national and regional projects and extended more loans to Central and Western China and Northeastern China;

- we allocated additional financial resources to key industries and quality customers so as to support key national projects under construction and expanded our businesses in areas such as urbanisation-related industries, basic industries and infrastructure, energy and resources, modern services industries, advanced manufacturing, cultural industries, environmental protection, energy conservation and modern agriculture;

- we strengthened the management of our lending to LGFVs and controlled loans to the real estate industry and industries with over-capacity, and gave financial support to various energy conservation and emission reduction projects;

- we accelerated the development of our supply chain financing, including providing e-supply chain financing products in order to enhance the development of trade finance and small and micro enterprises and medium-sized enterprises credit business; and

- we increased our efforts to compete for major corporate customers and industrial leaders and sought new customers among core enterprises and upstream and downstream small and micro enterprises and medium-sized enterprises of supply chains, in an effort to achieve balanced growth of high quality large, medium and small corporate customers.

Corporate Deposits

We provide corporate banking customers with multiple demand and time deposit-taking services in RMB and major foreign currencies**.** Corporate deposits constitute our major source of funds. In response to challenges posed by the liberalisation of interest rates, we leveraged our advantages in integrated financial services such as corporate wealth management, cash management, E-banking and assets custody to increase our market competitiveness in the corporate deposits business.

As at 31 December 2018, 2019 and 2020, the balance of our corporate deposits was RMB11,481.1 billion, RMB12,028.3 billion and RMB12,944.9 billion, respectively.

Inclusive Finance

We have always regarded the development of inclusive finance as an important measure to serve the real economy and realise its transformation and development. In 2020, relying on the Group's FinTech advantages, we substantially strengthened the supply of inclusive finance, accelerated product and service innovation, and stepped up scenario construction to promote the rapid and high-quality development of inclusive financial business.

We effectively strengthened the supply of inclusive finance, accelerated product innovation, improved risk control, coordinated epidemic prevention and control with the support for the resumption of work and production of small and micro enterprises and promoted the high-quality and sustainable development of inclusive finance business.

We built a new "Digital Inclusive" system empowered by technology. We fully explored the value of internal and external data, optimised the online inclusive loan product system, and served the long-tail inclusive finance customer group. Through multi-dimensional cross-validation and other methods, we built a digital and intelligent full-process risk control system, and gradually formed a set of stable, sustainable and strategic inclusive finance business model. In 2020, the proportion of online inclusive loans to the balance of new inclusive loans reached 98 per cent.

We optimised three categories of online products. The Quick Lending for Operation sped up the data integration and application of tax, credit reference, logistics and power, and launched more than 400 financing scenarios, including settlement, tax, cross-border and medical security financing. e-Mortgage Quick Loan, an online revolving loan, improved business efficiency and customer experience relying on a new model of "online assessment of collateral, automatic approval of business and online monitoring of risks". ICBC e Credit, a key product of digital supply chain, realised the credit granting throughout the whole industrial chain and cumulatively exploited nearly 2,000 industrial chains. As at 31 December 2020, our personal business loans increased by RMB 175,742 million or 50.8 per cent. as compared to the end of 2019 which mainly due to the rapid growth of key lending products in the inclusive finance areas such as Online Revolving Loan and Quick Lending for Operation.

We well performed in deferring the repayment of principal and interest on the loans to small and micro enterprises. For the enterprises affected by the epidemic that could not repay principal and interest on time, we made the arrangements for deferred repayment of principal and interest by loan renewal, extension, refinancing, grace period, adjustment of repayment plan and other ways, so as to ease the financial pressure of enterprises.

Our credit product innovation was accelerated. We diversified online unsecured loan products and launched Anti-epidemic Loan, Reopen Loan and Employment Loan to assist in epidemic prevention and control and resumption of work and production of small and micro enterprises. As one of the first batch of banking partners, we signed a "Head Office-to-Head Office" cooperation agreement on batch guarantee business with the National Financing Guarantee Fund and took the lead in launching the loan business in China.

We extended our service chain of inclusive finance by developing new scenarios. We built a small and micro enterprise financial service platform integrating account opening, settlement and financing functions to provide convenient financial services. We launched activities such as "ICBC Inclusive Finance Travel", "One Hundred Branches Serving Ten Thousand Enterprises", "One Thousand Experts Serving Small and Micro Enterprises" and "Ten Thousand Small and Micro Enterprises Growth Plan" to provide customised exclusive services. We launched the "ICBC Business Matchmaker" cross-border matchmaking platform to provide access to the global industrial chain. Moreover, we expanded the scope of small and micro financial services and offered value-added think tank services such as professional consultation and "ICBC e Intelligence", to continuously improve the activeness of inclusive finance customers and enhanced customer stickiness.

We enhanced the comprehensive contribution of inclusive finance business by collaboration with the Group. Relying on the Group's comprehensive financial service capability, we tapped into customers' financial needs and extended our services to inclusive customers' upstream and downstream along the industry chain, business owners and employees by providing them with services such as clearing and settlement, payroll service and private banking. We built an internal circulation system for government, business and consumption ("GBC") funds, and build an inclusive ecosystem featuring long-term cooperation, mutual prosperity and accompanying growth.

We provided effective support and risk control to fight against the COVID-19 by joint force. We actively helped small and micro enterprises to cope with the impact of the epidemic, implemented the policy of delaying the repayment of principal and interest in accordance with the principle of "due extension" and overcame difficulties with these enterprises. At the meantime, pursuant to the principle of substantive risk judgement, we strengthened post-lending risk monitoring, improved risk control measures and made risk response ahead of the market curve. As at the end of 2020, the NPL ratio of our inclusive loans were significantly lower than the average level of our loans and the risk was stable and controllable.

As at 31 December 2020, the balance of inclusive loans to small and micro enterprises amounted to RMB745.2 billion, representing an increase of RMB273.7 billion or 58.0 per cent. from 1 January 2020, outperforming the target of "an annual growth rate higher than 40 per cent.". In 2020, we pushed inclusive finance to increase volume, expand coverage, enhance quality and cut cost. As at 31 December 2020, there were 606,000 micro and small enterprise loan customers, representing an increase of 183,000 from 1 January 2020. We reasonably set the term of loans according to the characteristics of loans used by enterprises, so as to help small and micro enterprises improve fund use efficiency and reduce on-lending costs. The average interest rate of loans granted in 2020 decreased by 0.39 percentage points over 2019 to 4.13 per cent. Inclusive farmer business loans and inclusive small and micro enterprise agriculture-related loans amounted to RMB152,187 million, representing an increase of RMB40,611 million or 36.4 per cent. over the year beginning; the number of such customers was 98,000, increased by 15,000; and the number of small and micro financial business centres was 324, increased by 36 over the end of 2019.

Institutional Banking

Our institutional banking businesses include financial services provided via our cooperation with securities companies, insurance companies, other banks, governmental agencies and futures companies.

In recent years, we have carried out various strategic initiatives to enhance the sustainable development of our institutional banking business. We offer diversified financial services to institutional customers covering assets, liabilities and intermediary services. We have improved financial services relating to the livelihood of our customers, such as social insurance, housing allowance, finance, education and medical care.

We assisted with government reform through bank-government services. We actively cooperated with the MOF and local financial departments to promote the electronic reform of local non-tax collection and were continuously leading the industry in terms of the coverage and scale of agency business. We are the first one in the industry to launch an integrated social security service platform – "ICBC e Social Security", making our services available in all provinces and autonomous regions in China. The market share of provincial pooling account of old-age insurance ranked first in the industry.

We stayed ahead in many fields in cooperation with peers. We established a unified management system for the centralised clearing agency business of Shanghai Clearing House, fully covering the qualifications of the centralised clearing agency business in the interbank market. In order to provide financing support for small and medium enterprises, we launched the online standard warehouse receipt pledge financing business in conjunction with Shanghai Futures Exchange, making it the only state-owned commercial bank among the institutions that have launched the business. We vigorously promoted the commercial paper brokerage business, provided services for enterprises through the "Discount Connect" platform of Shanghai Commercial Paper Exchange, and ranked first in the industry in terms of the number of enterprises that have signed contracts with us.

We spared no effort to support epidemic prevention and control. As a main channel for allocating anti-epidemic funds on behalf of public finance departments at all levels, we could complete the allocation of the funds efficiently. We quickly rolled out the "emergency material management system" and "campus epidemic prevention registration management system", and launched the special anti-epidemic columns such as "ICBC e Government Service" online donation and "ICBC e Social Security" to help with epidemic prevention and control and resumption of work and production.

Settlement and Cash Management

We provide domestic clearing and settlement services for our customers and comprehensive services such as centralised payments and cash management for large companies and their subsidiaries.

We have expanded our cash management services into financial asset management and have developed a variety of management products such as management of account transactions, liquidity management, supply chain finance, investment, risk management and wealth management. We offer personalised and professional cash management service plans to meet the cash management needs of rapidly developing industries, including cultural industries, logistics, tourism, high-tech industry and equipment manufacturing. We built the brand system called "Caizhi Account" as the core brand to enhance our influence in the cash management market.

In recent years, we have implemented cluster marketing strategies to strengthen the marketing of important products, enhance the establishment of channels for corporate customers and optimise our customer structure. The "Enterprise Link" service integrating functions such as industrial and commercial registration, account opening, internet banking and settlement was selectively rolled out at certain locations for a full range of comprehensive, one-stop services for new registrants. The functions of the Caizhi Account were improved to enable inter-bank point-of-sale card transactions and self-service small deposit and withdrawal.

With diversified products and services, we offer comprehensive cash management solutions to corporate customers such as information services, account management, liquidity management, collection and payment management, short-term investment and financing service and risk management. We provide corporate groups with centralised treasury management services of cross-border bilateral RMB cash pool, centralised operation management services for cross-border funds and cross-border cash management services based on domestic and overseas treasury management policies, extending the cash management business to more than 80 countries and regions. In recent years, we were named the "Best Cash Management Bank in China" by *The Asset, Global Finance and The Asian Banker*. In 2020, we were awarded "Best Asian International Cash Management Bank in Asia Pacific" by The Asian Banker.

We optimised the building of three major platforms. The global cash management platform provides treasury management cloud services to help enterprises improve the efficiency of domestic and foreign fund management. The small and micro financial service platform rolled out innovative functions, such as convenient payment and foreign exchange settlement, providing small and micro enterprises with round-the-clock comprehensive financial services, including account opening at the mobile terminal, settlement, investment and financing. The "ICBC Pooling" platform launched such innovative products as "Supply Chain Cloud", "Government Procurement Cloud", "Medicine Purchase Cloud" and "Construction Cloud" and enhanced the comprehensive service capability of supply chain customer groups.

We constantly facilitated product innovation. We developed "ICBC e BillPay" into a smart bill payment platform that integrates the functions such as convenient bill payment, donation and community life. We embedded the "ICBC e Corporate Payment" in the corporate online payment scenario of public online payment scenario of the platform for core enterprises in the supply chain and government affairs, and launched the innovative mode of O2O payment and small-value convenient payment to provide customers with corporate online settlement services that could ensure the capital safety, convenient process and controllable risk. We actively promoted the scenario building of the "Corporate Wallet", a digital currency electronic payment tool, enabling corporate digital wallets to be used in the scenarios such as "ICBC e BillPay", "ICBC e Corporate Payment" and QR code-based charging. We comprehensively optimised the global payroll payment service, allowing customers to pay salaries at home and abroad.

As at 31 December 2020, we maintained 10,106,000 corporate settlement accounts, representing an increase of 7.0 per cent. from 31 December 2019 to 31 December 2020. The volume of corporate settlements reached RMB2,518.24 trillion in the year of 2020. As at 31 December 2020, there were 1,447,000 cash management customers. In addition, there were 8,787 global cash management customers representing an increase of 10.2 per cent. from 31 December 2019 to 31 December 2020.

International Settlement and Trade Finance

In recent years, we have accelerated the development of our international settlement and trade finance business and actively promoted our brand, and we believe we have established a competitive edge in the international business area through the following initiatives:

- we leveraged our advantages in domestic and foreign currency business and close interaction between domestic and overseas branches and improved our product portfolios by integrating financing, settlement, wealth management and trading to better serve the needs of our import and export enterprise customers;

- we accelerated the expansion of global supply chain products, integrated products denominated in RMB and foreign currencies and optimised our business structure;

- we launched an import aval business and e-presentation of documents of letter of credit, and rolled out a global documents management system, further enhancing the centralised processing efficiency of our documents management business;

- we strengthened our systems for checking trade backgrounds to prevent false transactions and arbitrage behaviours of enterprises;

- we participated in cross-border RMB pilot programmes in many regions, including the Shanghai Free Trade Zone, Khorgos Xinjiang and Qianhai Shenzhen, and participated in the launch of various innovative services and products such as two-way RMB cross-border cash pooling and overseas RMB lending; and

- we improved the "ICBC Cross-border Express" product system and launched innovative RMB cross-border products such as Direct Financing Express, agreed-upon payment and structural financing.

In 2020, relying on the intensive advantage in customs import and export data, we launched a "single window" financial service in an innovative manner, and became one of the first batch of pilot banks which directly connected with the cross-border financial blockchain service platform of the SAFE. To support the development of new business patterns such as cross-border e-business, we strengthened cooperation with domestic and foreign payment institutions, cross-border e-business platforms and other different customers in cross-border payment, and launched the "Cross-border e-Business Connect", a comprehensive service platform.

In 2020, our domestic branches disbursed an aggregate of U.S.$63,076 million in international trade finance. In addition, international settlements amounted to U.S.$3,242,127 million, of which U.S.$1,318,726 million was handled by overseas institutions.

Investment Banking

Our investment banking business mainly includes regular financial advisory services, enterprise credit services, investment and financing advisory services, syndicated loan arrangement and management services, corporate assets and debt restructuring services, corporate acquisition and merger services, asset securitisation services, credit capital transfer and trading services, underwriting of corporate debt financing instruments such as commercial paper, medium-term notes and financial bonds, direct investment advisory services, financial advisory services for corporate issuance of equities and bonds and services for equity investment funds.

We provide diversified financing services for our corporate customers, quality investment products for our high net-worth customers and restructuring and mergers and acquisitions services for our corporate customers with global operations.

We constantly enhanced the capability of investment banking in serving the real economy. Through new models of investment-loan interconnection and commerce-investment interaction, we increased support for modern service industry, strategic emerging industries, digital economy and private economy. We conducted mergers and acquisitions focusing on the key fields, including capital market, industrial integration, reform of state-owned enterprises, and the Belt and Road Initiative, and maintained a leading position in domestic and foreign merger and acquisition markets. We advanced the innovation of advisory services for financing rearrangement and debt restructuring of large enterprises in distress, actively moved forward financial services and risk prevention, and enhanced the capability of investment banking to resolve risks. We rolled out innovative sustainable debt financing mode, helped enterprises optimise their capital structure, and provided financial support for major infrastructure projects. We promoted asset securitisation investment and securitisation of proactively managed assets to meet the needs of enterprises for comprehensive financial services.

We improved the product system covering "one advisory service, two certificates and three e-services" which refers to the advisory service, "ICBC e Confirmation Service", credit certification, "ICBC e Security", "ICBC e Intelligence" and "ICBC e RM", launched an innovative intelligent financial solution, and promoted the intelligent upgrading of advisory services. We took the lead in the industry to launch an e-confirmation platform, making it possible to handle the whole bank confirmation services online. "ICBC e Security" was designed to effectively prevent and control telecommunication frauds by risk screening. "ICBC e Intelligence" accesses to high-quality property transaction information and keeps enriching the content of think tank services continuously. "ICBC e RM" adds a new financial benchmarking system for listed companies, making its analysis more comprehensive.

For the years ended 31 December 2018, 2019 and 2020, our investment banking income was RMB24,002 million, RMB23,860 million and RMB21,460 million, respectively, representing a decrease of 0.6 per cent. From 2018 to 2019, and a further decrease of 10.1 per cent. From 2019 to 2020 which is mainly because we persisted in business transformation and implementation of fee reduction and profit concession policies although we were hit by the COVID-19 pandemic.

In 2020, we acted as the lead underwriter for 2,632 Chinese bond projects with a total value of RMB1,904,204 million, preserving our No. 1 position in the market in terms of domestic leading underwriting scale.

Discounted Bills

We continued to optimise and upgrade innovative products such as "ICBC e Discount", "Supply Chain Bill Pay" and "Inclusive Discount", and gave full play to the role of bill products in financing the real economy, especially small and micro enterprises, industrial chain and supply chain.

In 2020, our discounted bills amounted to RMB1,474,935 million, an increase of 8.0 per cent. compared with the same period of last year, which ranked first in the market. In addition, discounted bills for small and micro enterprises was RMB429,809 million, with an outstanding balance of RMB208,907 million.

Personal Banking

Our personal banking products and services include savings deposits, personal loans, private banking, bank cards, personal wealth management and others.

In 2020, we continued to deepen the No.1 Personal Bank Strategy, consolidated personal customer base, strengthened the FinTech empowerment, and further enhanced our market competitiveness. At the end of 2020, our personal financial assets amounted to RMB16.0 trillion. In particular, our personal deposits reached RMB11,660,536 million, representing an increase of RMB1,182,792 million or 11.3 per cent., as compared to the end of 2019 and the time-point growth hit a record high; our personal loans amounted to RMB7,115,279 million, representing an increase of RMB731,655 million or 11.5 per cent., as compared to the end of 2019. As at 31 December 2018, 2019 and 2020, we had approximately 607 million, 650 million and 680 million personal banking customers, respectively. Our personal non-principal-guaranteed wealth management products amounted to RMB2.15 trillion, maintaining an absolute leading position in the market. Personal loans grew remarkably, and the growth of residential mortgages ranked first in the industry.

We launched the "No. 1 Personal Bank" brand. Based on the concept of "considerate bank, intelligent bank, boundless bank and reliable bank", we made every effort to help meet people's yearning for a better life. The retail sales line provided a strong support for our operating income growth. The total amount and the growth of our fee-based business income from personal banking both ranked first in the industry.

We strengthened deposit service innovation. We rolled out deposit products for key customer base such as Fu Man Yi, Happy Deposit, exclusive deposit of social security card, and themed deposit products like red certificate of deposits, and took the lead in the industry to launch the function of large-denomination certificate of deposit negotiability, driving the stable growth of saving deposits.

According to the PBOC's requirements on interest rate liberalisation reform, we steadily pushed forward the LPR conversion for personal loans. We strengthened innovation of loan business focusing on the key consumption markets such as pension, automobile, leasing, education and home decoration, and improved the consumer finance services.

In the face of the impact of COVID-19, we well performed in rendering emergency services in response to the call of the state and regulatory requirements and ensured that personal financial services were uninterrupted without losing the quality. We further advanced the transformation of online, digital and intelligent operation transformation, and helped enterprises and residents resume production and work and reopen businesses and markets.

In 2020, funds under agency sales amounted to RMB685.6 billion, government bonds under agency distribution were valued at RMB33.5 billion and personal insurance products under agency sales reported at RMB115.2 billion.

Our risk control remained robust. The quality of our personal loan assets remained sound despite the epidemic impact, with NPL ratios of personal loans and residential mortgages stood at 0.56 per cent. and 0.28 per cent. respectively. The quality of our personal loan assets was sound as a whole, paving the way for stabilising the quality of our credit assets.

Smart transformation was accelerated. We built a new ecosystem of online customer acquisition, and gradually explored a new open banking service mode to adapt to the Internet era with "ICBC e Wallet" as the carrier. We have served more than 33.00 million customers. We developed an intelligent customer maintenance system, launched a "cloud studio" for customer managers, and sped up the building of a new generation of broadest customer base maintenance system. We promoted the building of a series of projects such as intelligent brain, intelligent experience and intelligent outbound call, and effectively improved the intelligent customer services. Relying on the intelligent brain, the front-line marketing staff provide differentiated and targeted services to 9,546,200 customers. We accelerated the intelligent transformation of channels, promoted the construction of 5G intelligent bank outlets in some key cities, and built an enterprise-level intelligent service platform.

We were awarded the "Best Mega Retail Bank in China" by *The Asian Banker* for consecutive years and ranked first in the global banking brands by retail banking issued by *The Banker of the United Kingdom*.

Private Banking

With the implementation of our globalisation strategy, we have established private banking network and service teams in many countries and regions, among which the Asia-Pacific region is the key area. Our key offshore institutions providing private banking services include but not limited to ICBC (Asia), ICBC (Macau), ICBC International and ICBC Singapore Branch.

We adhered to the whole market selection and whole product allocation, actively served the net worth-based transformation of wealth management products, effectively undertook the matured customer funds through diversified comprehensive allocation and made every effort to expand wealth management products under the New Rules on Asset Management. We customised high-quality selected products on demand, steadily improved exclusive insurance products and developed innovative comprehensive advisory business of family trust.

We established a professional assessment system for investment consultants and improved the collaborative work mechanism between wealth consultants and investment consultants. We took the lead to launch such online training brands as "Private Banking Support Station", "Private Bank e Hour" and "Wealth Management Micro Class" to comprehensively improve professionalism.

We established an online service system of "full ecological response and universal service through one-point access", accelerated business innovation and technology empowerment, and promoted the function optimisation of private banking exclusive version of ICBC Mobile. We optimised the online customer service scenario to improve service experience of private banking customers.

We received a number of awards from well-known domestic and international media, symbolising our excellent brand value. In 2020, we were awarded Private Wealth Service of the Year in China" by *The Asian Banker*, the "Best Private Banking Experience, China" by *The Asset* and the "Best Domestic Private Bank Brand" by the *Wealth*. We were awarded the "Best Private Bank in China" by *The Banker*, a branch of *Global Finance*, and *PWM* in 2018 and 2019; and we were also awarded the "Best (Mega) Private Bank in China" by *The Asian Banker* for three consecutive years. We were named the "Best Private Bank Brand in China" by *Treasury* in 2016 and 2018, "Best Private Banking Institution" by *China Banking Institution* in 2017, "Jun Ding Award for China's Private Banking Brand" by *Securities Times* in 2017 and 2018 and "Best Private Bank" by *Oriental Fortune* in 2017 and 2018.

As at 31 December 2020, we had 102,000 personal customers with financial assets of RMB8 million and above, an increase of 11,517 customers or 12.8 per cent. from 31 December 2019. As at 31 December 2020, the assets under management totalled RMB1.8 trillion, an increase of RMB238.7 billion or 15.4 per cent. from 31 December 2019. As at the end of 2020, the number of personal customers with the average monthly/daily financial assets of RMB6 million and above for the past six months was 182,000, an increase of 23,750 customers or 15.0 per cent. from 31 December 2019; and the assets under management totalled RMB2.2 trillion, an increase of RMB282.8 billion or 14.9 per cent. from 31 December 2019.

Personal Deposits

We provide demand deposits and term deposits in RMB and foreign currencies. We targeted important customer groups, constantly expanded our customer base and optimised the customer structure. Adapting to the trend of interest rate liberalisation, we enhanced our management of interest rates. The synergetic development of our wealth management products and savings deposits promoted improved circulation of customer funds within our system.

As at 31 December 2018, 2019 and 2020, the balance of our personal deposits amounted to RMB9,436.4 billion, RMB10,477.7 billion and RMB11,660.5 billion, respectively, representing an increase of 11.04 per cent. from 31 December 2018 to 31 December 2019 and an increase of 11.29 per cent. from 31 December 2019 to 31 December 2020. As at 31 December 2019, our personal demand deposits and personal time deposits rose by 10.10 per cent. and 11.71 per cent., respectively, compared to such deposits as at 31 December 2018. As at 31 December 2020, our personal demand deposits and personal time deposits rose by 20.1 per cent. and 5.1 per cent., respectively, compared to such deposits as at 31 December 2019.

Personal Loans

Loans to personal customers include residential mortgages, personal consumption loans, personal business loans and credit card overdrafts. Personal loans are a major component of our personal banking business. In recent years, residential mortgages have become an important component of our personal loans business and have been growing in a steady and healthy manner. In light of our consumers' changing consumption patterns and transaction practices, we applied "Easy Loan" in a wider scope. "Easy Loan" is an unsecured retail consumer loan product characterised by small value, speed and convenience designed to meet our customers' varied financial needs. Our personal customers can pledge their financial assets and quickly and conveniently obtain loans by providing different kinds of collaterals.

As at 31 December 2018, 2019 and 2020, our personal loans amounted to RMB5,636.6 billion, RMB6,383.6 billion and RMB7,115.3 billion, respectively, representing an increase of 13.3 per cent. in 2019 as compared to 2018 and an increase of 11.5 per cent., respectively. Our residential mortgages as at 31 December 2019 rose by 12.6 per cent. compared to such mortgages as at 31 December 2018 and our residential mortgages as at 31 December 2020 rose by 10.9 per cent. compared to such mortgages as at 31 December 2019.

Bank Cards Business

We provide personal customers with comprehensive bank card products and services, including single-currency and dual-currency credit and debit cards. Our "Peony Card" brand is one of the most renowned bank card brands in the PRC. In recent years, we have improved bank card service quality, increased bank card product development and further solidified our leading position in the PRC bank card industry.

We advanced our digital transformation by innovating online acquisition products. At the end of October 2020, we launched the ICBC UnionPay Unlimited Digital Platinum Card which is an online-only digital card that can be applied and activated in seconds. The card has drawn wide attention once it is available to customers.

On ICBC e Life, by building a platform for credit card spending, we established a financial ecosystem composed of APP, WeChat Applets, WeChat Official Accounts and online campaign pages. The platform added financial functions such as credit limit increase, password resetting and online instalment. It has three major scenarios: shopping, bonus point and instalment; three major sub-brands: e-Food Coupons, e-Top-selling Products and e-Coffee; and three promotion campaigns Seasons: "Top-selling Season, Travel Season and Digital Season". The platform also supports live broadcast. Currently, the number of registered subscribers of ICBC e Life has exceeded 90.00 million.

Bank card business generated a fee income of RMB18,623 million for the year ended 31 December 2020, representing a decrease of RMB3,141 million or 14.4 per cent. as compared to 2019, which is mainly because we persisted in business transformation and implementation of fee reduction and profit concession policies although we were hit by the COVID-19 pandemic. At the end of 2020, we issued 1,127 million bank cards, representing an increase of 55.31 million cards from the end of 2019, including 967 million debit cards and 160 million credit cards. Overdraft balance of credit cards increased by 0.5 per cent. from the end of 2019 to RMB681,610 million. In 2020, the spending volume of bank cards registered RMB21.46 trillion, including RMB18.88 trillion of debit cards spending and RMB2.58 trillion of credit cards spending.

Credit Cards

In terms of the number of credit cards issued and the total number of customers, we are the largest credit card issuing bank in the PRC. We offer RMB credit cards, dual-currency credit cards and multi-currency credit cards. we meet our customers' unique needs by leveraging our advanced technology and service capabilities.

In recent years, with the rapid development of internet, we have created a batch of new credit card products with warmth, sentimentality and thought based on the development concept of "customising products", and gradually formed the ICBC credit card products system covering over ten different customer groups. In 2017, in contemplation of the "hardworking" spirit, we created Fendou Card targeting the sentimental customers. In the same year, in order to meet young customers' payment needs, we issued Constellation Card with constellation features that were well loved by young customers. In 2019, we launched the Forbidden City credit card with the collaboration of the Palace Museum, achieving the brand new "culture + finance + technology" cooperation model, demonstrating national self-confidence and promoting cultural confidence. In the same year, closely followed the national ETC development strategy, we launched the ICBC ETC credit card with the benefits of having 5 per cent. cashback for refuelling and 70 per cent. off for instalment rates etc., promoting the national ETC development strategy. In addition, we also have many products exclusively for frequent travellers such as ICBC Global Travel credit card, co-branded credit cards with different airlines and hotels, serving the business and personal travel market and boosting the consumption upgrades.

We stick to the "customer first" principal, focusing on customer feedback and the quality of service. Starting from 2017, we carried out series of promotions for "I GO" credit cards, bringing benefits to the customers. We also provided various services related to travel and capital security insurance to the customers such as lounges at airports and high-speed railway stations, valet parking, fast security cheque etc. which were well loved by the customers. Based on the innovative application of internet financial technology, we were the first to offer the safe and convenient online acquiring services without bank card in the PRC. We were named "No. 1 Credit Card Brand in China" by *the Ministry of Industry and Information Technology*, won the *Global Finance* "Best Commercial Corporate Credit Card", awarded "2020 Credit Card Risk Technology Improvement" by *The Asian Banker*. The constellation credit card and the Chinese zodiac credit card won the "ELAN – Best Safe Payment Card" and "ELAN – Most Popular Award" Gold Award in 2018 and 2019 by *International Card Manufacturers Association* ("**ICMA**"). We also received the "Best Risk Control in Asia-Pacific" from *Visa Inc.*

Debit Cards

We issue RMB debit cards and dual currency debit cards, such as RMB-U.S. dollar debit cards, to our customers. In recent years, we adopted measures to improve the safety of chip cards, promoted single chip cards and improved card replacement services. Chip cards have wider industry applications such as social security, medical care, transportation, education and electronic identification, as one card could be applied in many sectors.

In 2020, we launched personalised cards such as wedding cards and graduation season cards, and special debit cards, including the "Commemorative Card for the 600th Anniversary of the Forbidden City". The Forbidden City debit card won the "Elan Award – Unique Innovation Award" for 2020 conferred by the International Card Manufacturers Association, the first time for our debit card product to win such an international award.

We also released the Sichuan-Chongqing-themed debit card, providing cardholders with the rights and interests of payment and settlement services without any difference between Sichuan and Chongqing, and facilitating the construction of the double-city economic circle in Chengdu and Chongqing with convenient financial services.

Asset Management Services

Our asset management services include wealth management services, asset custody services and pension services.

In recent years, we have adopted the following measures to promote stable growth and optimise the structure of our financial asset services:

- we engaged in cross-industry cooperation and competition with other institutions in order to seize the market opportunities for asset management services and satisfy our customers' needs for the management of their financial assets;

- we consolidated our advantages in wealth management, custody and pension businesses and the functions of subsidiaries specialised in investment banking, funds and insurance;

- we expedited the establishment of an integrated business operation system covering domestic and overseas regions across different lines of business; and

- we built a full-service asset management platform covering a wide range of markets and clients.

We firmly implemented the regulatory requirements, seized development opportunities, pushed forward the transformation of asset management business and products in a steady and compliant manner and comprehensively enhanced investment management and research capabilities. We established an asset management business system allowing allocation of capital in all markets and value creation across the whole value chain by relying on the strength of the Group's asset management, custody and pension businesses as well as our comprehensive subsidiaries specialised in fund, insurance, leasing, investment banking and wealth management, to provide diversified, integrated and specialised services for customers.

Wealth Management Services

We offer comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions. In recent years, we reformed our profit centres, optimised our procedures for wealth management product development, investment management and risk management and promoted the standardised, sustainable and orderly development of the business. Also, we adapted our products in order to meet the demands of various types of customers with different risk-reward features and investments in different types of markets.

We optimised product issuance and marketing strategies, and at the same time expanded online and off-line sales channels. As a result, our customers can access our wealth management products online.

On 22 May 2019, the CBIRC approved the opening of ICBC Wealth Management Co., Ltd. ("**ICBC Wealth Management**"). As a wealth management banking company approved to open in the first batch, ICBC Wealth Management's registered capital was RMB16 billion. It mainly focuses on asset management related businesses such as public and private offering of wealth management products, and wealth management consulting and advisory services. The establishment of ICBC Wealth Management would allow us to focus on the three tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform, implement regulatory requirements, promote our wealth management business to develop healthily and adhere to the origin of asset management.

For the years ended 31 December 2018, 2019 and 2020, the net fee and commission income generated from our personal wealth management and private banking services amounted to RMB27,596 million, RMB27,337 million and RMB29,630 million, respectively.

Asset Custody Services

As the first asset custody bank in the PRC, we have established a complete custodial service system after 22 years of development and innovation, in order to provide customers with comprehensive custodial services. At present, our custody products include but are not limited to securities investment funds, insurance assets, commercial bank wealth management products, pension assets, securities company customer asset management plans, trust plans, QDII assets and QFII assets. Our custody service is embedded in the whole process of customer asset management. We can provide customers with basic custody services such as asset custody, fund clearing, accounting, asset valuation, investment supervision and information disclosure, as well as value-added custody services such as performance analysis, information consultation, transaction convenience and investor services. At the same time, we can provide customers with outsourcing services such as valuation accounting and registration of various asset management products.

Since 2018, following the development of the asset management industry, the opening of domestic capital markets globally and the reform of the pension insurance system, we have managed three strategic allotment funds and promoted the transformation of our net wealth management by providing integrated services of "custody + outsourcing". We won the bid for the central and provincial occupational annuity custody qualifications ranking the first place among all bidders, obtained the Chinese Depository Receipt depository qualification approved by CBIRC and successfully conducted the first global depository receipts ("**GDR**") depositary business in the market – Huatai Securities GDR domestic basic securities custody, becoming the first custodian bank to participate in "Shanghai-London Stock Connect" programme. In addition, we maintain a leading position in the fields of public funds, corporate annuities, insurance, bank wealth management and global custody in the PRC.

We were in the first batch of receiving "Shanghai-London Stock Connect" deposit qualifications and the first bank to conduct GDR trusteeship and marketing CDR depository business in the market.

We actively explored hot areas and emerging markets, and further strengthened it our leading position in the industry. The mutual fund under custody continued to develop quickly and we were the first among domestic peers with custody size of more than RMB3 trillion. The insurance assets under custody continued to lead the industry, and our leading edge continued to expand, with the custody scale exceeding RMB5.4 trillion. We made an important breakthrough in global custody business, acted as the depositor of the first CDR in China and conducted the first CDR transaction. Seizing the business development opportunities brought by the New Rules on Asset Management, the outsourcing of our asset management product operation developed rapidly, with a size of over RMB1.5 trillion.

The building of intelligent custodian bank was advanced steadily. We introduced the main functions of an intelligent operation platform and completed the structuring of an intelligent data platform to realise flexible query of managed data. An intelligent customer service platform was put into operation and a brand-new ICBC Custody Mobile Banking was introduced to provide a full spectrum of custody services to customers.

We also continued to increase investment in science and technology, build four smart custody platforms in terms of smart operation, data, customer service and risk management, pioneering in building a smart custodian bank in the PRC.

We won the most awards among the PRC banks and our service quality has won wide recognition in the domestic and international financial sector.

As at 31 December 2018, 2019 and 2020, the total net value of our assets under custody was RMB16.3 trillion, RMB16.5 trillion and 18.5 trillion, respectively, representing an increase of 1.47 per cent. from 31 December 2018 to 31 December 2019 and an increase of 12.08 per cent. from 31 December 2019 to 31 December 2020. At the end of 2020, the size of our custody business reached RMB19.6 trillion.

Pension Services

In recent years, leveraging on the strengths of our business qualifications, professionality, service experience, service network, information systems, customer resource and market reputation, we have promoted the development of our pension businesses.

Also, diversifying the product system, we optimised our integrated enterprise annuity scheme "Ruyi Pension Management" and serial pension-related wealth management products "Ruyi Benefit Plan" and issued Taikang Golden Banking Co-brand Card for Special Medical Services. A variety of service channels including sales outlets, internet banking, telephone banking and mobile banking were made available, enabling customers to have better transaction experience. Our pension services won awards from the China Banking Association such as the "Best Performance Award" and the "Best Development Award".

Actively seizing the opportunities brought by the rapid growth of the occupational annuity market, we successfully obtained the trustee, custodian and investment manager qualifications for occupational annuities of central and all the local governmental agencies and administrative institutions that have completed bid invitations, with the total size of occupational annuities of the three qualifications ranking first in the market.

We continued to improve digital operation of pension business, enhance the building of service channels and functions in an all-round way, and made great efforts to promote "ICBC e Pension" service platform, covering more than 80 per cent. of the customers under the automated and self-service operation mode. During the COVID-19 pandemic, we introduced online processing method to ensure the continuity of pension business and efficiency of pension services.

As at 31 December 2020, the pension funds under our trusteeship amounted to RMB326.0 billion. We managed RMB11.36 million individual enterprise annuity accounts, and the enterprise annuity funds and occupational annuity funds under our custody totalled RMB955.7 billion. As at the end of 2020, we have a leading position in the market in terms of the total size of enterprise annuity funds under trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under our custody.

Financial Market Business

Our financial market business operations include money market, investment business, financing business, franchise treasure business, asset securitisation business and precious metals business. We aim to enhance the profitability of our treasury operations through product innovation, timely adjustment of investment and trading strategies, enhancement of our capital operation efficiency, improvement of management capabilities and prevention of business risks.

Money Market Activities

Our money market activities include: (i) short-term borrowing and lending with other banks and financial institutions; and (ii) bond repurchase and purchase. We have adopted a cautious development strategy for our business with other banks and financial institutions. We aim to increase the return on our funds, and we conduct our business activities flexibly in response to our liquidity management needs.

In the RMB money market, we actively provided liquidity supply during the COVID-19 pandemic, reasonably strengthened fund operation, and ensured liquidity support for small and medium financial institutions on the premise that risks were controllable, making great contributions to the smooth operation of the money market. We scientifically developed financing strategies, rationally devised financing maturities, varieties and counterparty structure, and constantly improved the profitability of fund operation.

In the foreign exchange money market, we enhanced the proactive and forward-looking management of foreign exchange liquidity, to ensure the liquidity safety of our foreign currency funds. We took advantage of various investment and financing instruments in the foreign exchange money market to improve the profitability of fund operation. Both the business volume and the number of customers of non-bank lending went up. We enhanced the capability of quotation for non-USD market making and entered into the first batch of CHF and KRW denominated lending transactions in China Foreign Exchange Trade System. We took an active part in the innovation of the domestic foreign exchange money market, and entered into the first EUR, CAD and JPY denominated repurchase transaction with domestic RMB bonds pledged as collateral.

In 2020, we received many awards, including the "Exemplary Money Market Dealer in Interbank Local Currency Market", the "Best Quotation Bank for Foreign Currency Lending", the "Best Foreign Currency Lending Member" and the "Best Foreign Currency Repurchase Member" conferred by China Foreign Exchange Trade System.

Investment

We make investments in RMB-denominated bonds issued by the PRC government, the PBOC, policy banks and a few other local financial institutions, short-term commercial paper issued by domestic enterprises, and foreign currency bonds issued by foreign governments, financial institutions, and corporations. We also trade bonds and bills that are issued by the PRC government, the PBOC and foreign governments as well as derivatives, foreign exchange and foreign/local currency dominated bonds. In terms of RMB bond investment, we actively invested in various bonds to fuel the growth of the real economy. We vigorously invested in bonds from areas affected by the pandemic and bonds with proceeds mainly used for pandemic prevention and control, in an effort to provide strong financing support for the pandemic prevention and control. Both the quality and the efficiency of corporate bond investment in serving the real economy kept improving, and the investment fields involved energy, manufacturing, transportation and other important industries. We continued to enhance the management of investment portfolios and took various steps to improve return on investment.

In terms of foreign-currency bond investment, we met Chinese-funded enterprises' financing demands abroad, and strengthened investment in high-rating bonds with a good credit quality, a high credit rating and an ample interest spread. Portfolio was optimised to diversify investment risks and enhance the overall yield and credit quality of the portfolio.

We were selected as the "Top Investment Houses in Asian G3 Bonds" by The Asset for the third consecutive year

Financing

We engage in active liability management**.** We have diversified the sources of funding from different channels and with different tenors through a variety of liability management instruments to support the growth of our business. For example, we issued a total of RMB110,000 million of Tier 2 Capital bonds in March and April 2019, comprising of a total of RMB90 billion of Tier 2 Capital bonds due 2029 and a total of RMB20 billion of Tier 2 Capital bonds due 2034. In July 2019, we innovatively and publicly issued the undated Additional Tier 1 Capital bonds of RMB80.0 billion with an interest of 4.45 per cent. in China's national interbank bond market We made a non-public issuance of RMB700 million domestic preference shares in September 2019 with an initial interest of 4.2 per cent. and raised a total of RMB70.0 billion in funds. On 23 September 2020, we issued U.S.$2,900,000,000 3.58 per cent. Non-cumulative Perpetual Offshore preference shares. On 25 September 2020, we issued RMB60,000,000,000 4.20 per cent. 2020 tier-2 capital bonds (first tranche) due 2030. On 16 November 2020, we issued RMB40,000,000,000 2020 tier-2 capital bonds (second tranche), consisting of RMB30,000,000,000 4.15 per cent. fixed rate bonds due 2030 and RMB10,000,000,000 4.45 per cent. bonds due 2035. On 21 January 2021, we issued RMB30,000,000,000 4.15 per cent. 2021 present tier-2 capital bonds due 2031, in China's national interbank bond market. The funds raised will be used to replenish our Additional Tier 1 and Tier 2 Capital in accordance with the applicable laws and approvals by the regulatory authorities. On 4 June 2021, we issued RMB70 billion undated additional tier 1 capital bonds in the National Interbank Bond Market.

We steadily advanced the online migration of interbank deposits, and actively leveraged the advantages of less contact and high efficiency of online transactions during the COVID-19 pandemic. Our online interbank deposit size ranked first in the market.

Franchise Treasury Business

We offer a wide range of treasury operations services to enterprises and individual customers on an agency basis. We provide spot and forward foreign exchange trading services, swap transaction services for RMB and foreign currencies and interest rate swap for RMB. In addition, we act as an agent for foreign exchange trading on behalf of our clients 24 hours a day, and we trade foreign currencies, precious metal, forward foreign currency contracts, interest rate swaps, currency swaps, options and other financial derivatives on behalf of our customers.

In terms of foreign exchange settlement and sales on behalf of customers and foreign exchange trading, we actively assisted with the pandemic prevention and control, organised our foreign exchange settlement and sales line to establish a green channel at the first time, and gave priority to the foreign exchange settlement and sales business handled for the purpose of pandemic prevention and control. According to the local plans for resumption of work and production, we facilitated the money settlement to corporate customers and extended the settlement date for more than 100 enterprises. We took the initiative to contact foreign trade customers, continuously enriched foreign exchange settlement and sales and foreign exchange trading currencies, improved the trading functions of three major online channels, i.e. online banking, mobile banking and electronic trading platform, and enhanced capability of serving foreign exchange trading customers.

In terms of paper commodities trading, we suspended the opening of new positions and new accounts for some paper commodities transactions in response to the drastic fluctuations of international commodity market, so as to protect the rights and interests of customers and prevent market risks. We strengthened risk warning and investor education, reminded customers to trade rationally, effectively protected the interests of customers, and ensured the smooth operation of paper commodities trading.

In terms of corporate commodity derivative trading, we conducted an in-depth survey of customer demands, advanced key customer marketing and provided targeted hedging trading strategies. In 2020, the number of customers and transaction amount of corporate commodity trading increased steadily. We kept optimising out trading system. We launched the electronic order entry function of spread trading, optimised the delivery scenario of corporate franchise business funds, and improved the business process of corporate commodity trading.

In terms of the over-the-counter bond business, we distributed the special government bonds for pandemic control, China Development Bank's bonds with the theme of "anti-pandemic", "poverty alleviation", "response to climate change" and "protection of the Yangtze River" and the over-the-counter local government bonds in four provinces and cities to investors in the over-the-counter market, contributing to the national fight against the virus and poverty and supporting economic growth. We were rated as an "Exemplary Undertaking Institution in Over-the-Counter Bond Business" and an "Exemplary Underwriting Institution in Over-the-Counter Local Government Bond Business" by China Central Depository & Clearing Co., Ltd.

In the area of foreign institutional investors trading business in the China's Interbank Market, we took an active part in serving foreign institutional investment customers from nearly 60 countries and regions all over the world, and fully meeting their investment and trading needs in China's Interbank Market. We won the "Contribution Award for Opening Up" granted by the National Interbank Funding Centre and the "Exemplary Settlement Agency of Global Connect Business" granted by China Central Depository & Clearing Co., Ltd.

Asset Securitisation Business

Asset securitisation is the process of converting assets with low liquidity into liquid securitisation products through risk isolation, conversion and packaging of cash flows and credit enhancement. The assets with low liquidity that can be converted are generally assets with stable cash flows such as residential mortgage loans, commercial property mortgage loans, project loans and other cash generating assets.

In 2018, we issued 26 tranches of credit asset securitisation programmes totalling RMB216,806 million in Mainland China. Among them, 16 tranches were individual residential mortgage securitisation programmes, six tranches were non-performing personal loans securitisation programmes, three tranches were non-performing credit card asset securitisation programmes and one tranche was a M&A loan asset securitisation programme.

In 2019, we issued 18 tranches of credit asset securitisation programmes totalling RMB140,680 million in mainland China. Among such tranches, ten were individual residential mortgage securitisation programmes, four were non-performing personal loans securitisation programmes, three were non-performing credit card asset securitisation programmes and one was a corporate loan asset securitisation programme.

The asset securitisation business effectively supported us in disposing of non-performing loans, revitalising stock assets, economising capital occupation and optimising credit structure. In 2020, we issued 18 asset-backed securities amounted to RMB142,600 million, including 10 residential mortgagebacked securities amounted to RMB137,158 million and eight non-performing asset-backed securities amounted to RMB5,442 million.

Precious Metal Business

We operate four product lines in our precious metals business: physical bullion, trading, precious metals linked financing and wealth management. Due to fluctuations of the precious metals market, we diversified our products to promote our precious metals business.

We optimised the supply of physical precious metal financial services from aspects of product innovation and service upgrading, to meet customers' demands for the allocation of precious metal hedging assets. We established the brand and system development mechanism for physical precious metal products advocating traditional culture, red culture and struggling culture, and successfully developed the "Magnificent China" product series. The precious metal products of "Lucky Bag" and the "Bright Future Golden Card" were launched in partnership with the Palace Museum and the National Museum of China. We established partnership with 26 local governments focusing on customised physical products, to advance the marketing of physical precious metals. We advanced the integrated development of multiple channels online and offline and within and outside the Group and managed to build an Internet of Thing platform for physical gold.

In 2020, we ranked first among all dealers in Shanghai Gold Exchange in terms of trading volume, clearing amount and gold leasing scale.

In 2020, we were awarded "Overall Best Gold Bank" by *Asiamoney*. In 2019, we were recognised as the "Star of Precious Metals in China" by *Global Finance* and *Asiamoney*.

FinTech

With a successful progress in ECOS development, we have made more efforts in the construction of 5G, data centre, cloud computing and other new-type digital infrastructure, reinforcing production and operation safety. We accelerated management system and mechanism reforms and relied on the fifth generation of core banking system to boost the development of our digital business forms and digital transformation and upgrade.

In 2020, we were ranked at first place in the banking industry for seven consecutive years in the CBIRC's IT supervision ratings. Seven of our achievements won the annual Banking Technological Development Award from PBOC, which is the most among our peers in the PRC banking industry. In particular, the distributed technology system received the first prize of the above award. We won the "Best Financial Innovation Award" from *The Chinese Banker* for the fifth consecutive year. Besides, it we were rated with multiple FinTech innovation awards, e.g. "Best Internet of Things Implementation in China", "Best Process Automation Implementation in China" and "Best API and Open Banking Implementation" *by The Asian Banker*.

Upgrading Digital Infrastructure

The integration and innovation of technology and business were deepened and the construction of new infrastructure was advanced with remarkable achievements made. A series of new enterprise-level technology platforms with strong service capability and industry-leading advantages were built up based on "5G+ABCDI", i.e. artificial intelligence ("**AI**"), block-chain, cloud computing, big data and internet of things ("**IoT**"), through which a whole-process new technology transformation and application mechanism was established, covering forward-looking trend tracking, study and prediction, key technology research breakthrough and implementation of business scenario innovation.

A new-type IT architecture was fully built, featuring "core business system + open ecosystem". We were the first among our peers to launch a distributed technology platform covering major fields of distributed technology, with an average daily service invocation of nearly 6.0 billion times. The new generation of cloud computing platform was put in place, and the scale of IaaS infrastructure cloud and PaaS platform service cloud has remained in the leading position in the industry. Based on the "cloud computing + distributed" open platform architecture system, an open platform core banking system consisting of the core business infrastructure support framework, account system and products & services has been established. We were the first to complete the most critical debit card account host for downward extension of the core system with the largest data size therein, making a historic breakthrough in IT infrastructure as a large bank.

A platform of big data and artificial intelligence with "in-depth perception and open application" was built up. We were ahead of our peers to enable our big data system to comply with the "Six Integrations" standard as set at China Communications Standards Association TC601. An automatically controllable and industry-leading enterprise-level AI technical system was fully built so as to perform the five core functions of "reading, listening, thinking, speaking and acting" of AI. A one-stop AI modelling workstation was constructed, achieving wide application of mainstream AI technologies such as machine learning, Optical Character Recognition ("**OCR**"), Robot Process Automation, and knowledge map by using facial, voiceprint, iris recognition and other biometric features recognition capabilities.

A high-value brand of "ICBC Blockchain+" was built. By leveraging more than 150 technological breakthrough and filing more than 120 patent applications, we were one of the first batch to pass all certifications under special evaluation for "Trusted Blockchain" by the Ministry of Industry and Information Technology. We were also the first among our peers in the finance industry to obtain the safety evaluation certificate issued by State Cryptography Administration. We took the lead in getting registered with the Cyberspace Administration of China and was awarded with Blockchain 50 by Forbes. We have successively applied the blockchain technology in scenarios in multiple fields including charitable funds, medical services, engineering construction and bank confirmations, etc., directly connecting more than 1000 service institutions.

Developing the capability for comprehensive connection to 5G and IoT. We have established an IoT technology system integrating "end, side and cloud" and built up an enterprise-level audio and video platform to support the innovation of cloud outlets, cloud counters and other contactless customer service modes. We were the first in the industry to complete the independent construction of 5G Messaging as a Platform ("**MaaP**"), and complete piloting in MaaP business with China Mobile.

We were put on the list of National Green Data Centre of 2020. By promoting the planning and construction of new data centre, we effectively undertook the stable operation of information system, massive digital asset storage and intelligent application under high concurrent services.

Establishing Digital Business Form

Relying on the ECOS, we fully established a new digital business form to boost the coordinated development of retail, corporate business, government affairs, rural business, and other fields of business, and realised the replacement of old drivers with new ones in business operation, quality upgrading, and efficiency improvement.

Cloud-based retail business was created. We launched Personal Mobile Banking Version 6.0 to accelerate the "integrated connection" between mobile banking and physical outlets and made innovations in Personal Mobile Banking and WeChat applets to launch the interactive online "cloud outlets" and "cloud studios" of customer managers so as to provide "screen to screen" contactless financial services. Relying on the technology platform based on cloud computing and distributed technology, etc., we provided 24×7 financial services both online and offline.

A chain financial ecosystem was driven. We closely kept up with the pace of transformation and development of leading enterprises in the industry and extended financial services to a wider range of customer base. We delivered accounts, deposits, payments, financing and other financial products to the leading enterprises transforming towards digitalisation in a centralised manner, enabling various online application scenarios of affiliates. We delivered corporate online payment, integrated receipt collection, reconciliation of secure accounts, supply chain financing and other services to large industrial Internet platform. Relying on big data, AI, IoT and other new technologies, we have developed 109 open and inclusive finance services in five major categories. We cooperated with key "Going Global" enterprise customers to facilitate the inclusive service and a prosperous ecosystem. We launched innovative "Cloud Flash Loan", "Power e Loan", "Cross-border Loan" and other products, and stepped up product innovation and scenario expansion to assist enterprises in digital transformation.

Construction of the element market of government affairs was accelerated. We actively participated in the construction of element market and strengthened the cooperation with provincial-level big data centres. We made innovations in financing products by using the government affairs data from multi-dimensional platforms. As the only bank, we participated in the first batch of pilot projects of opening Shanghai's public data and used government procurement data to release the innovative "government procurement loan". We launched smart government services in Beijing, providing 154 kinds of government services such as social security rights and interests inquiry through self-service terminal. We also cooperated to launch "inclusive big data credit loan" based on social security, tax and other government data, so as to realise government convenience and benefit services.

A new rural finance model was created. We established a comprehensive service platform for the digitalisation of rural areas, which is intended to comprehensively provide comprehensive services such as government affairs, finance, rural affairs, Party affairs and finance, etc. in a one-stop way to rural customer groups including rural collective organisations, village-run enterprises and villagers. At present, we have contracted with 500 county-level agricultural and rural government authorities in 154 cities in 31 provinces, cities and autonomous regions. We addressed the "First Mile Problem" of rural customers to whom the services are not accessible and upgraded portable intelligent terminals to offer more than 120 businesses such as new card opening, registration of E-banking and domestic transfer and remittance. We launched an upgraded Personal Mobile Banking, innovated online county-specific services using dialects in different regions, and comprehensively promoted this practice nationwide.

The level of digital risk control in the industry was improved. We were the first among our peers to create a new mode of voiceprint risk control, which uses voiceprint recognition to quickly and insensibly provide customer managers with identification and fraud risk judgement basis, thereby comprehensively improving the level of intelligent risk control and customer service experience. We upgraded the intelligent anti-money laundering system "ICBC Brains" serving the peers, which covers the whole process of anti-money laundering such as know your customer, customer risk classification, large-sum and suspicious transaction monitoring, and provides services to a number of peers and non-banking institutions. We improved the risk big data intelligent service product "ICBC e Security" and developed nine product systems including blacklist service, risk, intelligence, association and dynamic monitoring, which can effectively prevent the risk of external fraud and has served 275 peers and more than 56,000 enterprise customers.

Reinforcing Production Safety

We took the initiative to deal with the new challenges brought by the complex and volatile external situation and technological reforms and reinforced production safety such that the safe production and operation throughout the Group is maintained at a high level and the production and operation capacity of technical support, monitoring and analysis, emergency response, performance planning and management and control were pushed to a new level.

The transformation of production and operation was carried out in an orderly manner. All key applications have been modified to have high availability and a production and operation management system adapted to the route of new technologies such as automatic controlling and distributed technologies has been gradually formed. The business operation monitoring system has been continuously improved, and the monitoring computing efficiency has been raised from minute level to 10-second level. We completed annual information system switching locally and disaster recovery drills non-locally, continuously increasing the support to business continuity.

A group-wide integrated security protection system was established. The information systems of the Group were maintained operating safely and stably and the relevant systems were granted with "Excellent Grade" in the network security rating and protection assessment in 2020, providing customers with safe and stable financial services. We carried out a campaign to improve the security defence capability of the security team, leading in the industry in the security competitions held by the state and regulatory authorities. We increased the output of security capability to provide security-related assistance to the construction of financial industrial level security situation awareness and the research of financial industry network security situation.

Further Reform of Fintech Governance and Management

We deepened the layout of FinTech consisting of "one department, three centres, one subsidiary, and one research institute". We increased FinTech investment and unleashed the vitality of our FinTech innovation.

The organisational structure and layout were optimised. We set up a data intelligence centre to fully leverage our technical edges in the field of big data and keep up with the development of data industry. We set up an information security operation centre ("**SOC**") to advance the transformation of the security protection model into a practical one. We moved ahead with the construction of a professional FinTech team and built a compound financial technology talent team with experienced and skilled members.

The integrated enterprise-university-research output capacity of the Fintech Institute was developed. We cooperated with leading enterprises and scientific research institutes to continuously carry out research and tackle key problems in key core technology fields, making contributions to China's independent innovation in science and technology. We were the first among our peers to issue the White Paper on Application and Development of Blockchain in Finance, White Paper on Banking Innovation in the Era of 5G and other white papers and special research reports. Six of our projects were designated as the pilot innovation and application projects for innovation and supervision of FinTech by the PBOC, the number of the projects is leading in the PRC banking industry.

Our market-oriented technology capacity was strengthened. We output professional technological capacities at all levels to bolster the business innovation of the Group's major customers and undertook project R&D and operation & maintenance for a number of financial institutions and digital transformation enterprises. We enhanced cooperation for mutual benefits, improved the blockchain platform for resettlement fund management and smart social security public service platform, etc. We promoted cooperation experiences in Xiong'an New Area in Jiangsu Province, Beijing and other cities and provinces. We launched 18 financial ecosphere cloud products in the fields of education, medical care and enterprise services, facilitating intelligent government affairs and digital transformation of enterprises.

Internet Finance

We deepened the interconnection of GBC fronts, to serve the digital transformation of the state, government and enterprises, and enhance customers' financial service experience. In 2020, the internet financial transaction amount was RMB640.38 trillion, representing an increase of 1.2 per cent. from the end of 2019; and its proportion rose by 0.6 percentage points from the end of 2019 to 98.7 per cent.

Deepening the Digital Transformation of Government Service

We created 5,287 effective internet scenarios in the fields of intelligent government service, intelligent travel, healthcare and social security, intelligent campus, judicial finance and poverty alleviation through consumption.

Intelligent Government Service

We successfully marketed three provincial-level government service platforms including "Beijingtong", "Wanshitong" and "Shanzhengtong" as well as more than 10 prefecture-level government service platforms such as "i Xuchang". A management platform for rural development fund was developed and launched in cooperation with 13 provincial agricultural and rural departments. We cooperated with 15 local governments to realise the interconnection of mortgage registration systems in 300 cities, to provide comprehensive services for ten types of provident fund business in 12 provinces and 28 cities. The "ICBC e Government Service" product was promoted to provide "government service + financial service", and 31,000 institutional users were expanded accumulatively. Besides, full efforts were made to provide services for large-scale national exhibitions such as the online Canton Fair and China International Import Expo.

Intelligent travel

With three core products, namely, ETC, unconscious payment and QR code payment service for public transportation launched, we served more than 80 million person-times throughout the year. The "e-Ride" mini programme was innovatively rolled out, supporting all kinds of scanning codes for ride and covering 200 cities across China.

Healthcare and Social Security

Following the direction of national medical reform, a total of 6.69 million electronic vouchers for medical insurance were issued, and the medical insurance clearing mobile payment platform was launched in 10 provinces and regions. For the medical device industry, we pioneered an innovative service programme "Commercial Medical Cloud" integrating the internet, medical devices and finance.

Intelligent Campus

The "Campus Affairs Management Cloud" could provide parents, students and schools with integrated services including payment, management, and epidemic prevention and control, which was promoted in a total of 21,000 schools, driving the increase of 0.84 million new personal customers.

Intelligent Justice

We served the reform of national judicial system and promoted judicial auction platform of ICBC Mall in a total of 258 courts, with a cumulative transaction amount of nearly RMB2.0 billion. Besides, we successfully issued the first "judicial auction" loan through ICBC Mall.

Facilitating the Internet-based Transformation of Industries

ICBC Cloud Platform

The "industry + finance" integrated services are provided, covering six major industries and 19 segments. More than 20 standard cloud services including Education Cloud, Party Building Cloud, Property Management Cloud and HR Cloud were launched, to become "available immediately upon renting".

API Open Platform

The platform provides customised and component-based API services, opening over 120 products that fall in 18 categories and more than 1,900 application interfaces, thus steadily elevating the open capacity and the number of partners.

Ju Fu Tong

The "Ju Fu Tong" scenarios-embedded comprehensive financial services were promoted to serve more than 10 industries including government service, transportation, medical care, tourism and agriculture. Besides, it carried out cooperation with a number of governmental, industrial and internet-based consumption platforms, e.g. 12306.

ICBC Enterprise Mobile Banking

We innovatively launched Enterprise Mobile Banking 3.0 based on the needs of corporate customers, realising new technology applications such as voiceprint authentication, digital-human customer service and OCR recognition. We rolled out functions and products such as Quick Lending for Operation, e-Mortgage Quick Loan, foreign exchange settlement, credit report inquiry and payroll payment. We also introduced online and offline integrated services including account opening reservation, online application reservation and settlement account information change.

Upgrading Online Personal Services

ICBC Mobile

We strengthened the application of technological innovations. We innovatively launched Mobile Banking 6.0, created "Customer Manager Cloud Studio" and "Cloud Outlet", and introduced functions such as vocal print login, AR recognition of foreign currency, and AI intelligent recommendation. We guided the rendering of services in the lower-tiered market. We launched the "Beautiful Home" version for the county market, to provide exclusive financial services for "benefiting the people, benefiting farmers, and benefiting business merchants", which were introduced in 1,509 county sub-branches. We implemented service transformation for the elderly. We continued to optimise the function and experience of "Happy Life" version for elderly persons, to improve the convenience of mobile financial services for the elderly. We promoted the integration of online and offline services. During the COVID-19 pandemic, "contactless" functions were quickly introduced, such as online modification of card passwords, conversion of LPR interest rate and credit card repayment from other banks; online ordering and offline mailing services under 18 scenarios were supported, and 92 kinds of services could be handled at outlets through mobile banking code scanning instead of bank cards.

ICBC Mall

We completed the version 3.0 upgrade project for ICBC Mall and launched interactive shopping experience functions such as face registration and APP aggregate payment. By adhering to featured and quality management, we sped up the layout of key areas such as procurement, travel and cross-border e-commerce, with the transaction amount of "5e+4", i.e. ICBC e Procurement, ICBC e Assets, ICBC e Cross-border, ICBC e Travel, ICBC e Public Welfare, Court Affairs Management Cloud, Car Cloud Loan, Ji Ke Platform and Open Platform featured segments, reaching RMB297.6 billion.

ICBC Link

We refined user experience by upgrading the version 5.0 of ICBC Link and fully optimising the functional layout, process and experience of main interface. The WeChat mini programme of customer manager was launched to integrate communication and transaction. In addition, we innovatively launched the "gold red packet", the first gold accumulation model integrating "financial service + social intercourse" in the banking sector.

ICBC e Life

We established an open ecosystem composed of online campaign pages, APP, WeChat applets, WeChat official account, and life account, to realise the transformation of comprehensive operation. We built nine scenarios including "shopping, catering, accommodation, travel, entertainment, education, health, urban services, and poverty alleviation and inclusiveness". The platform developed six special columns of "shopping, credit bonus points, instalment, in-app purchase, poverty alleviation, and recreation".

Mobile Payment

We deeply cultivated the three-party payment and consumption scenarios and participated in the consumption coupon issuance activities sponsored by Beijing and Wuhan municipal governments. We carried out such activities of 22 phases in total, reaching 33.80 million person-times of customers, and successfully issued nearly 5.00 million consumption coupons, directly driving consumption of approximately RMB0.47 billion. During the COVID-19 pandemic period, more than 100 activities on 30 themes were carried out, such as "Cloud Vegetable Buying", "Travelling with Peace of Mind", and "ICBC Food Season".

ICBC e Wallet

The application areas covered government affairs, people's livelihood services, transportation, membership management, house purchase services, consumer finance and other scenarios, serving more than 33.00 million customers. During the pandemic, the "contactless" full online payroll service model was innovatively introduced, with the adoption of full online account opening and payroll payment process. As at the end of 2020, nearly one million personal customers were served under this online payroll service model. We were also awarded the "Best API and Open Banking Implementation" by *The Asian Banker* and the "Best Internet Banking Service" by *Asiamoney*.

Channel Development and Service Enhancement

We fully implemented the coordinated development strategy of serving the country and regions, kept close track of the development trend of regional market economy, and assisted in poverty alleviation. With "stabilising aggregate, optimising layout, making up for deficiencies, and improving efficiency" as the main theme, we comprehensively propelled the strategic adjustment and structural optimisation of outlets, to effectively improve the service coverage of core regions, county markets and high-quality customer groups.

Channel Development

Our outlets were optimised and adjusted effectively. We optimised and adjusted more than 420 outlets in key areas such as the Beijing-Tianjin-Hebei region and the Yangtze River Delta, and established 150 outlets in county markets, including 36 outlets in the poverty-stricken counties such as Jinyang in Sichuan and Nagqu in Tibet. We continued to intensify the renovation of old and core potential outlets and completed the overall renovation of 1,611 outlets to provide strong hardware guarantee for customer service.

We deepened the integration and coordination of online and offline channels. We continued to promote the coordination and integration of physical outlets, mobile banking, remote banking and new channels. We actively responded to the COVID-19 pandemic by providing digital and contactless customer services. The offline intelligent self-service channels can be used to handle 299 personal and corporate services, including more than 130 "medialess" services, covering the services frequently used by customers. We also promoted the collaboration between outlets and online channels. The "Cloud Outlet" service was launched on mobile banking and WeChat mini programme, and the full entry of personal customer managers was realised for customers to handle more than 40 items of businesses through "Cloud Outlet". In addition, a new service model of "Customer self-service + Remote operator assistance and verification" was introduced as a pilot programme. ICBC Cloud Banking as the first bank launched "Home Agent Customer Service" by Cloud Desktop, and it also comprehensively upgraded ICBC intelligent robot "Gino (Gong Xiao Zhi)" which represents ICBC intelligent services.

We actively explored the transformation and innovation of outlets. By implementing the GBC interconnection strategy in an in-depth manner, we constructed special business scenarios such as "outlets + government service", "outlets + inclusive finance" and "outlets + precious metals", and built more than 1,200 outlets featuring in government service that could provide one-stop services including social security, provident fund, business administration and taxation, hence constantly enhancing the comprehensive service capabilities of outlets. As at the end of 2020, we had 15,800 outlets, 25,167 self-service banks, 79,672 intelligent devices and 73,059 ATMs with trading volume of RMB5,907.8 billion.

Service Enhancement

We continuously improved the quality of customer services. By building a new ecosystem of operational service process, we promoted an integrated operation model of online channels, offline outlets and back-office centres in 27 types of personal and corporate scenarios, to facilitate the online, collaborative and efficient operation of customer services. With the in-depth development of thematic service enhancement activity "2020 Service First", focus was put on seven working measures including improving the service efficiency of outlets, standardising the service environment of outlets, strengthening the care for employees and the services for benefiting the people, and properly handling complaints, to effectively enhance customers' experience in financial services.

We made every effort to conduct regular epidemic prevention and control. We reinforced regular epidemic prevention and control in the outlets in all aspects, insisted on putting the protection of customer safety and improvement of service supply in the first place, and implemented 30 safety protection measures from the six aspects of outlet preparation before business operation, protection during and after business operation, disinfection management, daily management and employee health protection, so as to maintain the business order of outlets under the regular epidemic prevention and control.

We propelled the upgrading of public welfare service brand of outlets. We continued to upgrade our service brand "ICBC Sharing Stations" for inclusive service and people's benefit, and accelerated the establishment of a five-in-one service system including "sharing and convenience for the people, property alleviation for people's benefit, public welfare for the people, propagating and supporting the people, integrating and benefiting the people". Intimate and meticulous services were also provided for grassroots workers such as sanitation workers and couriers. In addition, nearly one hundred outlets that could provide featured services for the elderly customer groups were established to enhance the comprehensive service capabilities for these customers.

Consumer Protection

We endeavoured to meet the demands for financial services in special periods. We formulated guidelines for consumer protection during the COVID-19 pandemic containment and worked out 33 measures on the "fight against COVID-19" for ICBC's consumer protection, to clarify our consumer protection requirements during the pandemic period. We timely handled problems concerning customer loans, credit card repayment and credit reports during the pandemic period, to ensure that customers' reasonable demands could be properly satisfied as a warm and responsible bank. We also made every effort to appropriately perform such tasks as consumer protection review, financial literacy and education, charging regulation and business publicity, to ensure that the rights and interests of customers could be fully protected in special periods.

We improved consumer protection rules and measures. In accordance with the latest laws, regulations and regulatory requirements, and in combination with the new trends and characteristics of financial consumer behaviour, we revised consumer protection and complaint management measures and drafted financial literacy and education rules for customers to continuously consolidate the foundation of consumer protection system.

In 2020, our "Customer Service and Complaint Management System" recorded a total of 141,000 customer complaints, including 892 personal customer complaints per 100 outlets and 446 personal customer complaints per RMB100 billion assets, involving such businesses as credit card, personal banking and internet finance, which were mainly from areas such as Zhejiang, Sichuan, Hebei, Shandong and Beijing.

International Operations and Diversified Operations

International Operation

We provided comprehensive services for high-level opening-up and accelerated the implementation of the strategy to become the preferred bank for domestic foreign exchange business. The local and foreign-currency integrated operation system was improved, and efforts were made to enhance cross-border financial services and provide targeted and efficient services for the new development pattern. We harnessed our global operation advantages and launched the "Chunrong Action" to support the stability of foreign trade and investment. We supported enterprises' resumption of work and production and helped maintain the stability of global industrial chain and supply chain. We actively fulfiled our social responsibilities in supporting the fight against the COVID-19 pandemic in the countries and regions where our overseas institutions are located.

Corporate Banking: We strengthened financial support for Chinese enterprises "Going Global" and the Belt and Road Initiative. We made coordinated efforts to advance the characteristic financial innovation in free trade zones, promoted the implementation of large-scale and high-quality overseas cooperation projects and provided cross-border customers with "one-stop" comprehensive financial services. We have remained the first place for six consecutive years in terms of the number of deals completed for the cross-border acquisition transactions of Chinese-invested enterprises according to the ranking promulgated by Refinitiv. We were among market leaders in Hong Kong IPO underwriting and sponsorship, and the underwriting of overseas bonds and offshore China bonds.

Personal Banking: We endeavoured to enhance public convenience in the Guangdong-Hong Kong-Macau Greater Bay Area by launching the "Bay Area Service Link", "Bay Area Account Link" and "ICBC Pay" services. ICBC e Life created the "Bay Area Life" column and we launched the Greater Bay Area virtual credit card. The functions of overseas mobile payment and online marketing of "ICBC Partner" and "ICBC e Payment" were improved. The discount campaigns of contactless payment were carried out to our customers. Personal consumer finance products, such as "card-and-loan-in-one" and "ICBC e Loan", were successfully launched to enable combined online application for overseas credit card product and loan product.

Internet Financial Services: In tune with the development trend of the internet, we offered overseas individual and corporate customers internet banking, mobile banking and other online channels and provided services for 41 countries and regions, providing services in 14 languages. A full range of financial services, including account query, transfer and remittance, investment and wealth management, and payment, were available to customers.

Financial Market Business: We established a green channel, giving priority to the foreign exchange settlement and sales business handled for pandemic prevention and control, and helped foreign trade and foreign-invested enterprises control exchange rate risk. We established the interbank bond and foreign exchange market business partnership with overseas institutional investors from nearly 60 countries and regions. We participated in the innovation of opening-up project and implemented the first FX Spot programme trading in the China Foreign Exchange market. As a market marker and an agency settlement bank, it completed the first batch of direct transactions in the interbank bond market direct investment channel of overseas institutional investor customers and the first transaction in the extended trading hours. We took the lead in underwriting the first panda bond issued by an international multilateral institution for COVID-19 containment and the first panda bond issued by an internet firm.

Global Asset Management Services: We constantly improved the foreign exchange wealth management product system, strived to develop foreign exchange and cross-border RMB products, expanded the scale of management and advisory assets, and actively met the demands of domestic and overseas customers for foreign exchange and cross-border wealth management. The government bond index ETF was successfully issued and formally listed on Singapore Exchange. ICBC Wealth Management ranked first in terms of the market share of cross-border and foreign-currency wealth management products.

Global Custody Service: We seized the opportunity brought by the opening of capital market to achieve rapid expansion of custody asset size and ranked first among domestic banks in terms of the number of qualified foreign institutional investors. To promote opening up to the outside world at a high level, we served as the Depository Receipt bank for the first CDR transaction, and successfully provided custody service for the first batch of "Shenzhen-Hong Kong ETF Connect" funds and the largest overseas listed China government bond ETF fund. We strengthened the risk management of global custody network during the COVID-19 pandemic to guarantee the smooth operation of global custody products.

Cross-border RMB Business: We advanced the building of cross-border RMB product system and multi-scenario cross-border RMB services, enriched RMB-denominated financial products in the offshore market, and actively supported the RMB-denominated settlement, pricing and financing of commodities and foreign contracted projects.

We promoted the innovative development of cross-border RMB business in key regions, including the Lingang New Area in Shanghai, Guangdong-Hong Kong-Macau Greater Bay Area and Hainan Free Trade Port. We stepped up our efforts to develop key offshore RMB markets and boost the overall capability of offshore RMB services. We continuously improved the features of cross-border e-business service platform and the quality and efficiency of customer services. In 2020, the cross-border RMB business volume exceeded RMB7.2 trillion.

We continued to improve our global network. Auckland Branch officially opened, and Panama Branch was granted a banking licence. At the end of 2020, we established 426 overseas institutions in 49 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. We had 124 institutions in 21 countries along the Belt and Road. We also established correspondent banking relationships with 1,436 overseas banking institutions in 143 countries and regions, making our service network covering six continents and important international financial centres around the world.

As at 31 December 2020, total assets of our overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank Group Limited) were U.S.$422,079 million, representing an increase of U.S.$16,396 million or 4.0 per cent. as compared to 31 December 2019. The total assets of our overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank Group Limited) also accounted for 8.3 per cent. of our total assets as at 31 December 2020, representing a decrease of 1.1 percentage points as compared to 31 December 2019. Profit before tax of overseas institution for the year ended 31 December 2020 amounted to U.S.$3,017 million, representing a decrease of U.S.$1,073 million or 26.2 per cent. as compared to the year ended 31 December 2019. Profit before tax of our overseas institutions of for the year ended 31 December 2020 also accounted for 5.0 per cent. of our profit before tax, representing a decrease of 2.3 percentage points as compared to the year ended 31 December 2019.

As at 31 December 2020, the total loans of our overseas institutions amounted to U.S.$202,844 million, and total deposits were U.S.$148,221 million, with the latter increasing by U.S.$13,472 million or 10.0 per cent. as compared to 31 December 2019.

Major Indicators for our Overseas Institutions

The following table set forth, as at the dates and for the periods indicated, the distribution of the total assets, profit before tax and total number of institutions of our international operations by geographic area.

	Assets		Profit before tax		Number of institutions	
	As at 31 December 2020	At 31 December 2019	2020	2019	As at 31 December 2020	At 31 December 2019
			(in U.S.$ millions)			
Hong Kong and Macau	204,181	197,279	1,565	2,105	108	107
Asia-Pacific region (except Hong Kong and Macau)	118,253	108,867	950	1,139	90	90
Europe	89,030	80,926	302	21	75	79
America	51,106	51,836	42	449	152	151
African Representative Office	–	–	–	–	1	1
Eliminations	(44,378)	(37,213)				
Subtotal	418,192	401,695	2,859	3,714	426	428
Investment in Standard Bank[(1)]	3,887	3,988	158	376		
Total	422,079	405,683	3,017	4,090	426	428

Note:

(1) The assets represent the balance of our investment in Standard Bank Group Limited, and profit before tax represents our gain on investment that we recognised during the period.

Diversified Operation

ICBC Credit Suisse Asset Management

Focusing on the reform and development of capital market, ICBC Credit Suisse Asset Management actively served the real economy and met the diversified investment demands of customers. Operating quality and efficiency continuously improved, and the total amount of assets under management continued to maintain a sound momentum of steady growth. It performed well in investment and ranked first in terms of the overall return on investment of the stock funds under management. Business structure was continuously improved, and the scale of annuity funds, social security funds and other pension funds under management totalled RMB527.4 billion, an increase of 44.2 per cent. over the end of 2019, continuing to stay ahead in the industry. The scale of non-monetary funds grew quickly, of which stock funds increased by 103 per cent.

Product and service innovation was advanced steadily. ICBC Credit Suisse Asset Management continued to strengthen the development of equity and hybrid products, took the lead in the industry to issue STIB 50 ETF fund, and made every effort to support the building of the Science and Technology Innovation Board. It continuously improved customer services, upgraded the features of the ICBC Credit Suisse Fund APP, and launched the Fund Wealth in ICBC Mobile, providing customers with a one-stop fund investment services such as query, investment, review, use and learning.

It actively enhanced investor education. Its investor education base was included in the list of state-level securities and futures investor education bases, which was the first state-level internet investor education base in the fund industry and rated as an “Advanced Unit in Southbound Stock Connect Investor Education in 2020”.

ICBC Leasing

ICBC Leasing deepened the coordination with the Group’s strategy, actively integrated into the Group’s “1 + N” comprehensive financial service system, and continuously improved the professional customer service capability, the ability of serving the Group's strategy and core competency. It continued to strengthen business expansion and business model innovation in Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region.

Its aircraft leasing line specially optimised asset layout, and actively improved the efficiency of managing existing assets. At the end of 2020, it owned and managed more than 780 aircrafts, and served 82 renowned airline companies around the world. Its business spanned over Europe, Asia-Pacific region, North America, South America and Africa, etc.

In terms of shipping leasing, ICBC Leasing focused on high-quality customers and flagship enterprises in the industry and strengthened the analysis and judgement of the situations of global shipping market. Both new and potential projects increased steadily. Its vessel assets covered bulk carriers, container ships, oil tankers, gas ships, luxury cruise ships and other high value-added assets, providing domestic and foreign customers with diverse service modes, such as financial leasing, operating leasing, joint leasing, index-linked leasing arrangement, and parcel transportation service.

In terms of equipment leasing, ICBC Leasing steadily enhanced the professional customer service capability, continuously consolidated the competitive advantages in transport, energy, large-size equipment and other fields, and increased the support for clean energy, intelligent transport, high-end equipment manufacturing and other fields. It actively explored the business innovation mode in the fields such as culture and sports, healthcare, green energy. ICBC Leasing was rated as the "Best Financial Leasing Company of the Year" by the Financial Times for three consecutive years, and the "Best Financial Leasing Company of the Year" by the Securities Times.

ICBC-AXA

ICBC-AXA strengthened its guidance role of the "High Growth in Value" strategy, coordinated the COVID-19 containment and business development, and implemented the social responsibilities of risk protection. In support of fighting against the pandemic, ICBC-AXA took the initiative to design and provide the exclusive "Medical Angel" life insurance product for the medical staff in Hubei Province. A total of 2,258 cases were handled in 2020, with a total compensation of RMB40.56 million. It donated a total sum assured of RMB500 billion insurance products for people at the front line of fighting against COVID-19 pandemic.

ICBC-AXA actively advanced the optimisation of business mix. It adhered to the transformation of regular payment business, and its regular premium income hit a record high. As residents raised awareness about the importance of health insurance, it seized the opportunity to develop health insurance business. It paid close attention to the changes in the capital market, optimised the investment portfolio, enhanced the risk management of investment assets, and achieved a significant improvement in investment returns.

By the end of 2020, ICBC-AXA had 1.44 million in-force individual customers, representing an increase of 9.7 per cent. over the end of 2019, remaining as the first bank-affiliated insurance company in terms of premium income. It won the "Ark Award for Model Deeds in COVID-19 Containment of China's Insurance Industry in 2020", the "Best Insurance Company in Supporting COVID-19 Containment in 2020" and the "Brand Influence Insurance Company in 2020", and ranked first in the comprehensive competitiveness list of foreign-invested life insurance companies in 2020.

ICBC International

ICBC International made overall plans to promote the regular pandemic prevention and control and the business development, provided sound customer service for listed companies and investors, ensured 24-hour trading services for customers, and stabilised market sentiment.

The four business segments, i.e. investment banking, sales and trading, investment management and asset management, achieved smooth development. ICBC International was among the highest echelon of the market in terms of the underwriting scale of IPO business, and stayed ahead in the market in the underwriting scale of overseas bonds. It was promoted to the Class-B securities firms on the Hong Kong Stock Exchange. It was the first among domestic peers to launch cross-border two-way RMB fund pool business. Its market research was awarded the "Best Overseas Analyst Team" in the Greater China by the Institutional Investor.

*ICBC Financial Asset Investment Co., Limited (“**ICBC Investment**”)*

As one of the first pilot banks to conduct debt-for-equity swap authorised by the State Council, ICBC Investment actively and steadily expanded and improved market-oriented debt-for-equity swap business, made strategic arrangements with a focus on the supply-side structural reform, and diversified fund-raising channels. It served the high-quality development of manufacturing industry, the mixed ownership reform of central enterprises and the development of private economy, and continuously improved the quality and efficiency in serving the real economy.

It was the first in the industry to launch a special fund for the prevention and control of COVID-19 pandemic, in a bid to help enterprises resume work and production. It launched the innovative mode of first investing in the headquarters of central enterprises through debt-for-equity swap and made every effort to support China’s energy reform.

ICBC Investment gave full play to the role of shareholder and sent directors and supervisors to the shareholding subsidiaries in which it conducted debt-for-equity swap. It took an active part in these companies’ corporate governance and provided comprehensive financial services for them by bank-company interconnection and investment-loan interconnection and energetically supported the reform and development of these enterprises.

ICBC Wealth Management

In light of the New Rules on Asset Management and other regulatory requirements, ICBC Wealth Management continuously exploited products and services and enhanced investment research and the building of core risk control capability. It served the demands of 25.68 million individual customers, 89,000 private banking customers and 722,000 corporate customers for asset allocation and wealth management and achieved leap-forward development starting from scratch to the management scale of more than one trillion.

ICBC Wealth Management kept improving its business structure and product portfolio and advanced the steady growth of the proportion of non-cash, hybrid and medium to long-term products. It released the first net worth-based product linked to options in the industry. It was the first among all banks to launch a wide-spectrum unsecured bond index and an open USD-denominated wealth management product. The “ICBC CSOP FTSE Chinese Government Bond Index ETF” was officially listed on Singapore Exchange.

ICBC Wealth Management actively enhanced management capability, continuously consolidated the core advantages in fixed-income and project investment, actively cultivated multi-asset, equity, quantified and cross-border investment capability, advanced the steady growth of net worth of overall products and constantly improved the applicability of serving the real economy.

In light of the Group’s uniform risk appetite, ICBC Wealth Management built a comprehensive risk control compliance framework to strengthen the risk prevention and control for core business and key fields and quickened the building of risk management platform.

It won a number of industry prestigious awards, including “2020 Golden Bull Award for Banking Wealth Management”. The numbers of subscribers for the WeChat public account of “ICBC Wealth Management” exceeded 100,000.

MAJOR CONTROLLED SUBSIDIARIES AND MAJOR EQUITY PARTICIPATING COMPANY

Major Overseas Subsidiaries

ICBC (ASIA)

ICBC (Asia) is our wholly owned Hong Kong registered bank and has an issued share capital of HK$44,188 million. It provides comprehensive commercial banking services and its major businesses include commercial credit, trade finance, investment service, retail banking, E-banking, custody, credit card, receiving bank services for IPOs and dividend distribution. As at 31 December 2020, ICBC (Asia) recorded total assets of U.S.$120,113 million and net assets of U.S.$17,773 million. It generated a net profit of U.S.$713 million during the year ended 31 December 2020.

ICBC International

ICBC International, a licenced integrated platform for financial services in Hong Kong that is wholly owned by us, has a paid-up capital of HK$4,882 million. It mainly renders a variety of investment services, including corporate finance, investment management, sales and trading, and asset management. As at 31 December 2020, ICBC International recorded total assets of U.S.$7,948 million and net assets of U.S.$1,630 million. It generated a net profit of U.S.$225 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Macau) Limited ("ICBC (Macau)")

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which we hold an 89.33 per cent. stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. As at 31 December 2020, ICBC (Macau) recorded total assets of U.S.$50,777 million and net assets of U.S.$3,540 million. It generated a net profit of U.S.$298 million during the year ended 31 December 2020.

PT. Bank ICBC Indonesia ("ICBC (Indonesia)")

ICBC (Indonesia) is a fully-licenced commercial banking subsidiary registered in Indonesia, with a paid-up capital of IDR3.71 trillion, of which we hold a 98.61 per cent. stake. ICBC (Indonesia) mainly engage in financial services such as deposit, loan and trade finance, settlement, agency services, inter-bank borrowing and lending and foreign exchange. As at 31 December 2020, ICBC (Indonesia) recorded total assets of U.S.$3,967 million and net assets of U.S.$429 million. It generated a net profit of U.S.$8.51 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Malaysia) Berhad ("ICBC (Malaysia)")

ICBC (Malaysia) is our wholly-owned subsidiary established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. As at 31 December 2020, ICBC (Malaysia) recorded total assets of U.S.$1,019 million and net assets of U.S.$302 million. It generated a net profit of U.S.$10.11 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC (Thai)")

ICBC (Thai), our subsidiary in Thailand, has a share capital of THB20,132 million, of which we hold a 97.86 per cent. stake. ICBC (Thai) holds a comprehensive banking licence and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. As at 31 December 2020, ICBC (Thai) recorded total assets of U.S.$9,005 million and net assets of U.S.$1,119 million. It generated a net profit of U.S.$79.63 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Almaty) Joint Stock Company ("ICBC (Almaty)")

ICBC (Almaty), our wholly-owned subsidiary, was incorporated in Kazakhstan with a share capital of KZT8,933 million. The primary commercial banking services it engages in include deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, E-banking and bank card. As at 31 December 2020, ICBC (Almaty) recorded total assets of U.S.$514 million and net assets of U.S.$72 million. It generated a net profit of U.S.$10.45 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC (New Zealand)")

ICBC (New Zealand) is our wholly-owned subsidiary with a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. As at 31 December 2020, it recorded total assets of U.S.$1,477 million and net assets of U.S.$195 million. It generated a net profit of U.S.$9.05 million during the year ended 31 December 2020.

ICBC (Europe)

ICBC (Europe), our wholly owned subsidiary, was incorporated in Luxembourg with a paid-up capital of EUR437 million. It has several institutions including Paris Branch, Brussels Branch, Amsterdam Branch, Milan Branch, Madrid Branch, Warsaw Branch and Greece Representative Office, which mainly offer financial services including loan, trade finance, settlement, treasury, investment banking, custody, franchise wealth management, etc. As at 31 December 2020, ICBC (Europe) recorded total assets of U.S.$6,830 million and net assets of U.S.$761 million. It made a net loss of U.S.$14.17 million during the year ended 31 December 2020.

ICBC (London) Plc ("ICBC (London)")

ICBC (London), our wholly owned subsidiary, was incorporated in the United Kingdom with a paid-up capital of U.S.$200 million. It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, foreign exchange trading and retail banking services. As at 31 December 2020, ICBC (London) recorded total assets of U.S.$2,009 million and net assets of U.S.$457 million. It generated a net profit of U.S.$10.59 million during the year ended 31 December 2020.

ICBC Standard Bank Plc ("ICBC Standard Bank")

ICBC Standard Bank, our subsidiary in the United Kingdom, has an issued share capital of U.S.$1,083 million, in which we hold a direct 60 per cent. stake. ICBC Standard Bank mainly provides global commodity trading businesses such as base metals, precious metals, commodities and energy as well as global financial markets businesses such as exchange rate, interest rate and credit. As at 31 December 2020, ICBC Standard Bank recorded total assets of U.S.$27,739 million and net assets of U.S.$1,303 million. It generated a net profit of U.S.$117 million during the year ended 31 December 2020.

Bank ICBC (Joint Stock Company) ("Bank ICBC (JSC)")

Bank ICBC (JSC), our wholly owned subsidiary, was incorporated in Russia with a share capital of RUB10.81 billion. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. As at 31 December 2020, Bank ICBC (JSC) recorded total assets of U.S.$1,067 million and net assets of U.S.$164 million. It generated a net profit of U.S.$8.63 million during the year ended 31 December 2020.

ICBC Turkey Bank Anonim Şirketi ("ICBC (Turkey)")

ICBC (Turkey), our controlled subsidiary in Turkey, has a share capital of TRY860 million, in which we hold a 92.84 per cent. stake. With licences for commercial banking, investment banking and asset management, ICBC (Turkey) provides corporate customers with integrated financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory services, securities brokerage and asset management. At the same time, it provides personal customers with financial services such as deposit, consumption loan, residential mortgages, credit card and E-banking. As at 31 December 2020, ICBC (Turkey) recorded total assets of U.S.$3,391 million and net assets of U.S.$196 million. It generated a net profit of U.S.$13.21 million during the year ended 31 December 2020.

ICBC Austria Bank GmbH ("ICBC (Austria)")

ICBC (Austria), is our wholly-controlled subsidiary in Austria, has a share capital of EUR200 million. ICBC (Austria) provides financial services such as corporate deposits, loans, trade finance, international settlement, cash management, cross-border RMB business, foreign exchange transactions, and financial advisory for cross-border investment and financing. As at 31 December 2020, ICBC (Austria) recorded total assets of U.S.$774 million and net assets of U.S.$237 million. It made a net loss of U.S.$3.28 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (USA) NA ("ICBC (USA)")

ICBC (USA), our controlled subsidiary in the United States, has a paid-up capital of U.S.$369 million, of which we hold an 80 per cent. stake. Holding a fully-functional commercial banking licence registered in the USA Federal International Qualification Authentication Corp, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. As at 31 December 2020, ICBC (USA) recorded total assets of U.S.$2,901 million and net assets of U.S.$390 million. It suffered a net loss of U.S.$51.33 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China Financial Services LLC ("ICBCFS")

ICBCFS, our wholly owned subsidiary in the United States, has a paid-up capital of U.S.$50 million. It mainly specialises in securities clearing and financing business in Europe and America, and offers securities brokerage services including securities clearing, financing and custody for institutional customers. As at 31 December 2020, ICBCFS recorded total assets of U.S.$23,117 million and net assets of U.S.$97 million. It generated a net profit of U.S.$5.19 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Canada) ("ICBC (Canada)")

ICBC (Canada) is our subsidiary in Canada with a paid-up capital of CAD208.00 million, of which we hold an 80 per cent. stake. Holding a full-functional commercial banking licence, ICBC (Canada) provides various corporate and retail banking services such as deposit, loan, settlement, remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing consultation. As at 31 December 2020, ICBC (Canada) recorded total assets of U.S.$1,944 million and net assets of U.S.$278 million. It generated a net profit of U.S.$1.45 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China Mexico S.A. ("ICBC (Mexico)")

ICBC (Mexico), our wholly owned subsidiary in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking licence, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. As at 31 December 2020, ICBC (Mexico) recorded total assets of U.S.$201 million and net assets of U.S.$32 million. It suffered a net loss of U.S.$18.09 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Brasil) S.A. ("ICBC (Brasil)")

ICBC (Brasil), our wholly-owned subsidiary in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. As at 31 December 2020, ICBC (Brasil) recorded total assets of U.S.$270 million and net assets of U.S.$39 million. It suffered a net loss of U.S.$2.34 million during the year ended 31 December 2020.

ICBC Peru Bank ("ICBC (Peru)")

ICBC (Peru), our wholly owned subsidiary in Peru, has a paid-up capital of U.S.$120 million. Holding a full-functional commercial banking licence, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading and E-banking and other services. As at 31 December 2020, ICBC (Peru) had total assets of U.S.$824 million and net assets of U.S.$106 million. It generated a net profit of U.S.$8.84 million during the year ended 31 December 2020.

Industrial and Commercial Bank of China (Argentina) S.A. ("ICBC (Argentina)")

ICBC (Argentina), our wholly owned subsidiary in Argentina, has a paid-up capital of ARS18.8 million. With a commercial banking licence, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card and asset management. As at 31 December 2020, ICBC (Argentina) recorded total assets of U.S.$4,151 million and net assets of U.S.$663 million. It generated a net profit of U.S.$112 million during the year ended 31 December 2020.

Major Domestic Subsidiaries

ICBC Credit Suisse Asset Management

ICBC Credit Suisse Asset Management, our subsidiary, has a paid-up capital of RMB200 million, of which we hold an 80 per cent. stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by the CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, Renminbi Qualified Foreign Institutional Investor, insurance asset management, non-listed asset management, occupational annuity and manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. At the end of 2020, ICBC Credit Suisse Asset Management managed a total of 164 mutual funds and nearly 600 enterprise annuity accounts and segregated management accounts as well as non-listed asset portfolios and its total assets under management amounted to RMB1.41 trillion. As at 31 December 2020, it recorded total assets of RMB14,924 million and net assets of RMB11,303 million. It generated a net profit of RMB1,973 million during the year ended 31 December 2020.

ICBC Leasing

ICBC Leasing, our wholly owned subsidiary, has a paid-up capital of RMB18.0 billion. It mainly operates the financial leasing of large-scale equipment in critical fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing. It also engages in various financial and industrial services including rental transfer, investment fund, securitisation of investment assets, assets trading and assets management. As at 31 December 2020, ICBC Leasing recorded total assets of RMB281,417 million and net assets of RMB38,148 million. It generated a net profit of RMB3,513 million during the year ended 31 December 2020.

ICBC-AXA

ICBC-AXA, a subsidiary in which we hold a 60 per cent. stake and has a paid-up capital of RMB12,505 million. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State and other businesses approved by the CBIRC. As at 31 December 2020, it recorded total assets of RMB209,523 million and net assets of RMB16,175 million. It generated a net profit of RMB1,451 million during the year ended 31 December 2020.

ICBC Financial Asset Investment Co., Limited ("ICBC Investment")

With a paid-in capital of RMB12.0 billion, ICBC Investment is our wholly-owned subsidiary and one of the first pilot banks in the PRC authorised by the State Council to conduct debt-for-equity swap. It holds the franchise licence of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. As at 31 December 2020, ICBC Investment recorded total assets of RMB145,625 million and net assets of RMB15,135 million. It generated a net profit of RMB1,122 million during the year ended 31 December 2020.

ICBC Wealth Management Co., Ltd. ("ICBC Wealth Management")

ICBC Wealth Management is our wholly-owned subsidiary with a paid-in capital of RMB16 billion. It engages mainly in the issuance of wealth management products, wealth management advisory and consulting service and other activities approved by the CBIRC and is qualified for general derivatives trading and foreign exchange business. As at 31 December 2020, ICBC Wealth Management recorded total assets of RMB17,861 million and net assets of RMB16,745 million. It generated a net profit of RMB408 million during the year ended 31 December 2020.

On 25 May 2021, the Board announced that ICBC Wealth Management has received CBIRC's approval that it is approved to cooperate with Goldman Sachs Asset Management, L.P. ("Goldman Sachs Asset Management") to establish a Sino-foreign joint venture wealth management company (the "Joint Venture Wealth Management Company"). The Joint Venture Wealth Management Company will be jointly funded and established by ICBC Wealth Management and Goldman Sachs Asset Management. The funding contribution ratio of ICBC Wealth Management and Goldman Sachs Asset Management will be 49 per cent. and 51 per cent. respectively. The joint funding and establishment of the Joint Venture Wealth Management Company by ICBC Wealth Management and Goldman Sachs Asset Management will be beneficial to the Bank's provisions of more diversified and professional wealth management services, and further enhance the Bank's comprehensive ability to serve the real economy. In the next step, the Bank will push forward ICBC Wealth Management to complete the establishment of the Joint Venture Wealth Management Company in accordance with the regulatory requirements.

Majority Equity Participation Company

Standard Bank Group Limited

Standard Bank Group Limited is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. We hold 20.06 per cent. of the ordinary shares of Standard Bank Group Limited as at 31 December 2020. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation, customer expansion, project financing, product innovation, risk management, FinTech and staff exchange. As at 31 December 2020, Standard Bank Group Limited recorded total assets of ZAR2,532,940 million and net assets of ZAR215,272 million. It generated a net profit of ZAR14,513 million during the year ended 31 December 2020.

IT-BASED BANKING DEVELOPMENT

We continued to improve the "big data" basis for IT-based banking development, input data of financial market, e-commerce platform and comprehensive subsidiaries as data warehouse, and incorporated personal internet banking logs and other unstructured data into our database. We strengthened data analysis mining and application in terms of e-commerce, risk management, precision marketing and product classification. We integrated business handling process, continued to improve consolidation of customer information and optimised our customer-oriented marketing assessment system. We also improved our financial asset service system and implemented full-process management on asset investment and operation. Furthermore, we advanced the system building in our international and diversified operations and accomplished comprehensive business system development in ICBC-AXA, ICBC Credit Suisse Investment Management and other subsidiaries.

Our information system maintained stable and secure operation. We have acquired the capability to switch our city-wide host systems in two technical parks within several minutes and transformed from traditional disaster recovery mode to dual-centre parallel mode to ensure the around-the-clock operation of our global business. We continued to build the group-wide daily administrative mechanism on information security and conducted tiered authorisation and information protection. We reformed the financial IC card, mobile payment and other application systems, enhanced our controllability on information security protection and reinforced security protection measures for customer service system.

INTELLECTUAL PROPERTY RIGHTS

In 2020, we ranked at first place in the banking industry for seven consecutive years in CBIRC's IT supervision ratings. Seven of our achievements won the annual Banking Technological Development Award from PBOC, which is the most among our peers in the PRC banking industry. We are also the registered owner of the domain names of our websites such as "www.icbc.com.cn", "www.icbc.com.hk" and "www.icbc.asia". The trademark "ICBC" (individually and collectively with our Chinese and/or English name), for which we have the copyright, has been widely used on our signboards, badges, publicity materials and internal documents. See also "*– IT-Based Banking Development*" above.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2020, we had a total of 0.44 million employees, including 417,000 employees in domestic branches, 7,000 employees in domestic subsidiaries and 16,000 employees in overseas institutions.

We optimised our institutions and employees. By adhering to the human resource efficiency improvement ideas of "serving strategy, scientific configuration, reducing consumption and enhancing efficiency, cultivating talents, and stimulating vitality", we effectively guaranteed the input of human resources in key strategic areas, business lines and professional talent teams. Our head office's organisational structure and branch system was optimised and adjusted to practically promote the construction of an intensive operation centre and steadily implement the centralisation of domestic and overseas businesses. Besides, we deepened the optimisation and adjustment of sub-branch layout, streamlined the setting of urban sub-branches and strengthened the construction of county-level sub-branches, to boost efficiency improvement with intensive human resources.

We kept improving the quality and effectiveness of education and training. Focusing on strategic transmission, key projects were developed, such as the "No. 1 Personal Bank" and the "Preferred Bank for Domestic Foreign Exchange Business". Concentrating on talent training, we carried out trainings on job knowledge and skills, new products, new business and new process promotion, and deepened the implementation of reading activities for all employees, to explore advanced trainings covering the entire career cycle and serve the growth of employees' performance. In 2020, we took the initiative to seek changes in response to the pandemic prevention and control, and actively promoted such training modes as live streaming classroom, e-learning and online training camp. A total of 31,000 online and offline training sessions were held, and 5.89 million person-times were trained in 2020.

We also integrated corporate culture into business development. In 2020, we hosted the second "ICBC Innovation Contest", aiming at fostering innovation culture for all employees. We initiated a cultural activity themed with "red finance", to summarise "July 1st Achievements" as a gift for the 100th Anniversary of the Founding of the Communist Party of China. In addition, thematic cultural activities such as "ONE ICBC ONE FAMILY" and "ICBC Culture Storeys" were organised to gather the strength of the whole group and carry forward the spirit of the new age.

MAJOR CUSTOMERS

In 2020, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30 per cent. of the interest income and other operating income of the Bank for the year.

LEGAL AND REGULATORY PROCEEDINGS

We were involved in several legal disputes in the ordinary course of business. Most of these cases were initiated by us to recover NPLs, while some were related to disputes with clients. As of 31 December 2020, the amount of cases pending judgements or arbitrations awards against us amounted to RMB4,928 million and we do not expect any material adverse effect from the above-mentioned cases on our business, financial position or operating results.

We strictly comply with applicable anti-money laundering and anti-terrorism laws and other regulations in the PRC, Hong Kong, Singapore and other jurisdictions where we have operations. We actively fulfil our obligations and responsibilities in terms of anti-money laundering by coordinating the establishment of anti-money laundering policies and systems. We have carried out customer identification, large amount and suspicious transaction reporting, money laundering risk assessment, anti-money laundering training and audits, which have improved the anti-money laundering and anti-terrorist financing compliance capabilities of us. Save as disclosed under "*Risk Factors – Other Risks Relating to Our Business – We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities*", we are not currently aware of any money laundering or terrorist financing activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations.

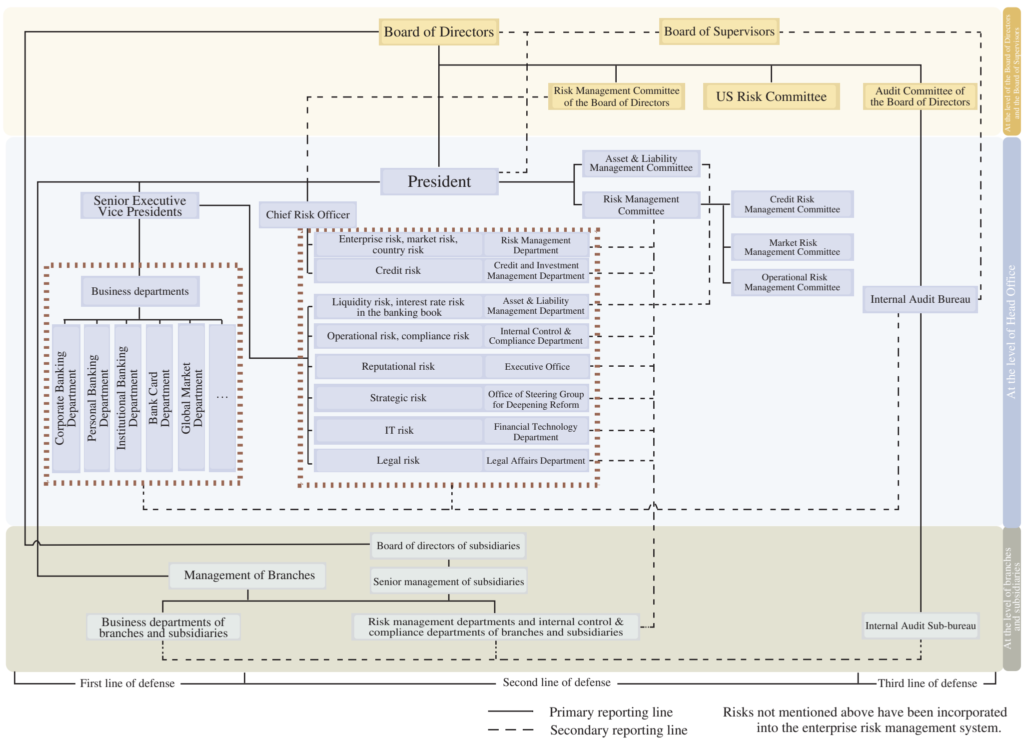
RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT SYSTEM

As a commercial bank, we are subject to a number of risks, primarily including credit risk, market risk, operational risk, liquidity risk and compliance risk. In order to manage these risks, we have established an enterprise risk management system, a process whereby the Board, senior management and other employees perform their respective duties and responsibilities to take effective control of different types of risks at various business levels in order to provide a reasonable guarantee of the achievement of our risk management objectives. Our risk management principles include, among others, the matching of risk with return, internal cheques and balances with consideration as to efficiency, risk diversification, quantitative and qualitative analysis, dynamic adaptability adjustments and gradual improvement.

We promote the consistency and standardisation of our risk management policies, processes, models, methods and systems. Our head office guides, manages and controls the business activities of our branches through delegation and credit extension, risk limits and other risk control instruments. Our organisational structure for risk management comprises, among others, the Board and its special committees, our senior management and its special committees, our risk management department and our internal audit department.

Our risk management organisational structure is illustrated below.



The Board is responsible for the establishment and implementation of an effective internal control system for us to ensure that we operate within applicable legal and regulatory frameworks. Our senior management is responsible for implementing risk management strategies formulated by the Board, formulating risk management procedures and processes, managing risks associated with our various business lines and ensuring the various parameters are in line with our risk preference. Our chief risk officer assists our president in overseeing our risk management and making related decisions. The risk management committee of the Board is primarily responsible for reviewing and revising our risk management strategies, policies, procedures and internal control processes as well as the supervision and evaluation of risk management related work performed by our senior management and risk management departments. We have clarified the responsibilities of the respective risk management departments. In line with our risk management strategy, each of the various business departments, risk management departments, internal control departments and internal audit department performs their respective risk management responsibilities.

ACHIEVEMENTS IN RISK MANAGEMENT IN RECENT YEARS

Since our initial public offering in 2006, we have actively responded to the challenges posed by various uncertain factors and risks by enhancing corporate governance and improving internal control. We have continued to improve our enterprise risk management system, strengthened the overall construction of enterprise risk management policies, developed and completed templates for risk evaluation, gradually established an industry-leading risk information system and built up an enterprise risk management system with unique characteristics, which we continue to improve and refine.

In recent years, we have achieved a series of satisfactory results in risk management. Our achievements can be summarised as "full process, full coverage, new standards and new technologies". In particular, we have implemented risk management throughout the entire process of risk identification, measurement, control, monitoring, evaluation and reporting covering entities from the Group level to all overseas branches and all business operations.

We have taken the initiative in the PRC in developing and researching methods and systems of measuring various risks pursuant to the new capital regulatory standards and have been maintaining a leading position in the domestic industry. We have established an industry-leading information technology support system with the capability to cover comprehensively the entire risk management process, in order to provide technical support for risk management.

Over the past few years, we have taken the following initiatives to strengthen our risk management systems:

- we further improved the enterprise risk management system, continuously upgraded risk management technologies and methods, enhanced the capacity of risk pre-judgement and dynamic control, strengthened risk data governance, and upgraded risk management technologies and methods, so as to make the enterprise risk management more forward-looking and effective;

- we further improved the enterprise risk management system, enhanced risk appetite transmission and limit management and control, intensified the capability of risk response and crisis management and enhanced effective reporting according to the latest regulatory requirements;

- we enhanced the Group's foundation for consolidated risk management, boosted business penetration of non-banking subsidiaries, and strengthened regional risk management of overseas institutions;

- we enhanced our capacity of managing cross risks, strengthened risk management and control of cooperative institutions, and promoted the application of the Group's investment and financing risk monitoring platform to achieve risk data integration involving different risks, markets, institutions and products;

- we actively advanced FinTech application such as big data, developed an intelligent risk monitoring system and enterprise-level anti-fraud platform, and continued to upgrade risk measurement models for better application;

- we also promoted the implementation of the latest international and domestic regulatory requirements, improved the basic policies for enterprise risk management and better managed related work of G-SIB;

- we strengthened consolidated risk management in the Group, intensified the management of risk limits for non-banking subsidiaries, and organised the risk assessment of the subsidiaries;

- we advanced country risk management by strengthening monitoring analysis, reporting and limit management, and enhanced sovereign risk control capability;

- we reinforced the management of the Group's market risk, strengthened the market risk management of overseas institutions and continued perfecting our product control; and

- we further implemented the advanced capital management approaches and continued to refine the measurement system concerning credit risk, market risk and operational risk and strengthen the monitoring, improvement, validation and management application of the risk measurement system.

Our ongoing efforts in risk management in recent years have achieved positive results. In recent years, we have maintained stable assets quality. As at 31 December 2018, 2019 and 2020, our NPL ratios were 1.52 per cent., 1.43 per cent. and 1.58 per cent., respectively.

In 2020, our objective was to "build an enterprise risk management framework that matches a world-class and modern financial enterprise with global competitiveness". We focused on the "management of personnel, assets, defence lines and bottom lines", continuously improved the top-level design of risk management, and enhanced enterprise risk management based on the path of "active prevention, smart control and comprehensive management". We revised and ameliorated the enterprise risk management system, performed risk management responsibilities, transmitted risk management culture, and achieved full coverage of institutions, businesses and personnel with risk management measures. Besides, we optimised the risk appetite and risk limit management system, improved risk emergency management capabilities and consolidated the foundation of the Group's consolidated risk management, to promote the intelligent construction of risk control system, and deepen the application of new technologies such as big data and artificial intelligence.

IMPLEMENTATION OF NEW CAPITAL MANAGEMENT RULES

In June 2012, the CBRC issued the Capital Management Rules, which set out stricter requirements on capital management of commercial banks. In order to implement the relevant requirements of the CBIRC, we continue to promote the adoption of advanced capital management methods. We have preliminarily established an internal capital adequacy assessment system and regularly published a capital adequacy ratio report for 2018, 2019 and 2020 in accordance with the Capital Management Rules.

Continuously promoted the adoption of advanced capital management methods

In recent years, we have been preparing for the implementation of the advanced capital management methods. We have improved data quality management, optimised our risk measurement model, upgraded our information technology systems and extended their coverage abroad, expanded the application of risk measurement results and further increased our risk management capability. See "*Risk Management – Credit Risk*", "*Risk Management – Market Risk*", and "*Risk Management – Operational Risk*" for further details regarding the measures we have adopted for credit risk, market risk, and operational risk.

Pursuant to the implementation of the advanced capital management approaches, as approved by the CBRC, we adopted the preliminary internal ratings-based approach for corporate credit risks, the internal ratings-based approach for retail credit risks, the internal model approach for market risks and the standardised approach for operational risks meeting regulatory requirements.

Preliminarily established an internal capital adequacy assessment system

We preliminarily established an assessment system for internal capital adequacy, comprising, among others, substantial risk assessment, capital adequacy forecasting and integrated stress testing. The substantial risk assessment system was able to assess the substantial risks to which we are subject. In addition, it can conduct comprehensive analyses of the risk level and management of various kinds of substantial risks. The capital adequacy forecast system can predict changes in various types of risk-weighted assets and capital based on our business and financial plans, so as to predict the capital adequacy level in following years. The integrated stress testing system can set stress scenarios reflecting the business operation, the assets and liabilities portfolio and our risk features based on the analyses of the macroeconomic trend in the future. Thereafter, it can conduct sensitivity analysis on various parameters (including the Capital Adequacy Ratio) of us under each stress scenario.

Publication of the Capital Adequacy Ratio Report

In accordance with the Capital Management Rules, we published our 2018, 2019 and 2020 Capital Adequacy Ratio Reports, which set out detailed disclosure of, among others, capital composition, measurement of risk-weighted assets, internal capital adequacy assessment, capital planning and capital adequacy management plans.

CREDIT RISK

Overview

Credit risk is the risk where loss is caused to the banking business when the borrower or counterparty fails to meet its contractual obligations. Our credit risks mainly originate from loans, treasury operations (including due from banks, placements with banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

We strictly adhere to regulatory requirements regarding credit risk management, diligently fulfil established strategies and objectives under the leadership of the Board and the senior management and implement an independent, centralised and vertical credit risk management mode. The Board assumes the ultimate responsibility for the effectiveness of credit risk management. The senior management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board. The Credit Risk Management Committee of the senior management is our reviewing and decision-making organ in respect of credit risk management, is responsible for reviewing material and important affairs of credit risk management and performs its duty in accordance with the Charters of the Credit Risk Management Committee. The credit and investment management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments implement credit risk management policies and standards for their respective business areas in accordance with their functions.

Our credit risk management has the following characteristics: (1) unified risk appetite. Unified credit risk appetite is implemented for the Bank's credit risk exposures; (2) entire-process management. The credit risk management covers the entire process including customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) system management. It continues to enhance the building of credit information system and improve the tools to manage and control credit risk; (4) strict management over credits. Strict qualification management is enforced on the business institutions and the credit practitioners. The Bank supervises and inspects its credits to promote compliant and robust operation; (5) the specialised institution is set up to conduct unified risk monitoring over credit risk businesses; and (6) the specialised institution is established to effectively coordinate management. We participate in the collection and disposal of non-performing assets ("**NPAs**") directly in a timely manner or guides our branches to do so.

According to the regulatory requirement on loan risk classification, we implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, we implemented the twelve-category internal classification system for corporate loans. We applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months in default, anticipated loss rate, credit rating, collateral and other quantitative and qualitative factors.

Credit Risk Management for Corporate Loans

A customer must have a credit line with us to be eligible for an individual loan application. Each new corporate loan customer must first be assigned with a credit rating before being considered for a total credit line. Our corporate relationship managers conduct an initial investigation and evaluation of each new customer, which is primarily focused on the customer's operating conditions, financial condition and credit situation (as well as the guarantor and collaterals if there is a security package). As part of their investigation, our corporate relationship managers rely on our client information integration solution ("**CIIS**") system to screen out applicants with bad credit history. For new customers, the credit rating and credit line applications are processed at the same time as the individual loan applications and the initial investigations.

We continued to strengthen the building of the credit policy system. A joint prevention and control mechanism was established to support key business development and risk management, with the coordinated participation by front-, middle- and back-office departments, and an intelligent credit risk management and control model consisting of "Three Gates" and "Seven-colour Pools" was built, to highlight the strengthening of credit risk management and control. New credit approval regulations were implemented in an all-around manner, to optimise the review and approval system, and improve credit risk mitigation measures. Besides, the working capital loan management rules were optimised and integrated, the management of risk control process was strengthened, and the transformation of supporting systems was completed. We also formulated the loan management measures for supporting technological enhancements of manufacturing enterprises, so as to provide positive support for the financing needs of these enterprises for technological upgrading and transformation and for the construction of high-quality projects.

We strengthened the strategic guidance on credit policies. We actively provided support for the infrastructure projects under construction such as highways, railways, airports, urban rail transit and municipal public facilities as well as the construction of major projects for tackling areas of weaknesses. We highlighted the support for high-quality customers and projects in the emerging manufacturing fields such as new generation information technology and high-end equipment, to continuously intensify the differentiated policy management of the traditional manufacturing industry. Besides, active support was also given to the financing demand for consumption upgrade in the service industry. Through organic connection between industrial and regional policies, we revised and improved the credit policies for key regions such as the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, the Beijing-Tianjin-Hebei region, Central China, and the Chengdu-Chongqing economic circle. Priority was given to supporting key investment and financing projects along the Belt and Road, upgrading core technologies, stabilising the global industrial chain, and promoting the dual-cycle related business needs at home and abroad.

We strengthened the risk management in the real estate industry. We paid close attention to the risk changes in the real estate markets of different regions, focused on supporting ordinary commercial housing projects aimed to satisfy rigid demands that are in line with regulatory policies, proactively and prudently promote financing for commercial rental housing projects, and provided financial support for the building of government-subsidised housing projects in compliance with laws and regulations. In addition, we continued to implement quota management for commercial real estate investment and financing, for the purpose of reasonably controlling the total amount of investment and financing for such projects.

We enhanced the risk management of inclusive loans. In adherence to the whole-process risk prevention and control of inclusive loans, we followed the development direction of "digital inclusiveness" and created an inclusive loan risk management system featuring "data-driven, intelligent warning, dynamic management, and continuous operation". We optimised customer selection and model access, to strictly control customer access. The duration management model in combination with on-site inspection and off-site monitoring was constantly prompted, with the performance of onsite inspection responsibilities, to continuously enrich off-site monitoring data sources, optimise monitoring models, and improve the accuracy and coverage of off-site monitoring. Moreover, we kept monitoring the use of loans related to epidemic prevention, strictly implemented bail-in policy arrangements such as deferred principal and interest repayment and reinforced the tracking and monitoring of loans with deferred debt service.

Customer Credit Line Approval

The total credit line that we grant to a customer is determined by taking into account its credit rating and conducting a comprehensive analysis and evaluation of the customer's credit history and financing needs. Our head office and branches may approve credit line applications within their specific authorisation limits. When a credit line application report is received from our loan origination personnel, a primary reviewer is appointed to assess the application in accordance with our internal policies and procedures. If the credit line is within the authorisation limits of the originating branch, the primary reviewer then presents his findings and recommendations to the credit approval committee of that branch for further review. Credit line applications that exceed the authorisation limits of the originating branch must be submitted to a higher tier branch or head office, as applicable, for the requisite authorisations. In addition, the preliminary decision by the relevant committee at our head office or branches must be further approved by an authorised loan approval officer who is typically a senior manager at our head office or branches.

Individual Loan Approval and Management

Initial Loan Evaluation

When a customer applies for a new loan, our initial evaluation generally consists of (i) assessing recent developments relating to the customer's financial condition and credit history; (ii) reviewing the planned use of proceeds; (iii) assessing the reliability of the primary source of repayment for the loans; (iv) evaluating the collateral or reviewing the financial conditions of the guarantor, if any; and (v) assessing the overall credit risk and potential financial returns associated with the loan.

Loan Review and Approval

Individual Loan Approval. When a corporate relationship manager recommends a loan for approval, he or she will submit the loan application package, which includes an evaluation report, to a reviewer in the relevant credit approval department for review. If the loan will be collateralised, there will be a separate evaluation of the underlying collateral. Based on an examination of the loan application package, the reviewer will prepare a report that includes his or her findings and recommendation to that branch's credit approval committee.

Project Evaluation. In reviewing applications for medium or long-term loans to fund major projects, such as acquisitions of fixed assets, expansion of production capacity, infrastructure development and property development, a loan assessment team will be formed to evaluate the underlying project. We assess the borrowers, the co-investors in the underlying projects and the underlying projects themselves, taking into account factors such as the anticipated cash flows of the projects, the perceived repayment ability of the borrowers and other credit risks related to the relevant loans. We may seek professional advice from external parties in the course of conducting such project evaluations depending on the circumstances.

Collateral Appraisal. In principle, we conduct valuation assessments for secured loans that have specific collaterals. Afterwards, we enter into the loan approval process, conduct an independent appraisal of the collateral and approve the loan based on our appraisal. The credit approval department is responsible for arranging the collateral appraisal process.

We require all the collateral to be re-appraised on a regular basis. We utilise an appraisal management information system that allows us to maintain electronic records of titles, external appraisals, physical status and other factors that may affect the value of our collateral.

In respect of third-party guarantees, we evaluate the guarantor's financial condition, credit history and ability to meet its obligations.

Fund Disbursement

After a loan application is conditionally approved, the relevant corporate relationship manager must ensure that all the conditions are satisfied before the loan is extended. Such conditions can include, as applicable, obtaining a guarantee, securing funding for the project, obtaining government approval for the underlying project or inclusion of additional provisions in the loan document, such as financial ratio requirements and restrictions on the borrower's ability to make dividend distributions. Upon satisfaction of all conditions, an authorised loan officer will execute credit documents with the borrower, and funds are disbursed. Our loan documents are generally based on standard forms and are reviewed by our legal personnel.

Post-disbursement Management

Post-disbursement review

We conduct post-disbursement monitoring and review, including the monitoring of post-disbursement payment and periodic review, in order to detect potential non-repayment or other risks and to implement preventative measures in order to mitigate default risks or take remedial actions to minimise potential losses. The frequency of post-disbursement review depends on the credit rating of the customers and factors that would affect the customers' ability to repay the loans.

Loan Classification

All PRC commercial banks are required to classify their outstanding loans based on a five-category loan classification system. See "*Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio*". We have adopted an internal 12-grade loan classification system, which refines the five-category loan classification system, to classify our corporate loans. We continue to use the five-category loan classification system to classify our discounted bills and off-balance sheet commitments, such as guarantees, for internal purposes.

The following table illustrates our internal 12-grade loan classification system:

Pass				**Special Mention**			**Substandard**		**Doubtful**		**Loss**
Pass One	Pass Two	Pass Three	Pass Four	Special Mention One	Special Mention Two	Special Mention Three	Substandard One	Substandard Two	Doubtful One	Doubtful Two	Loss

This loan classification system takes into account both quantitative and qualitative factors, including the credit rating of the relevant borrower, the existence of a guarantee and the outstanding period of any overdue payments. The system utilises a quantified scoring model, and preliminary scores are automatically generated by our global credit management system (the "**GCMS**"). The relevant corporate relationship manager will provide a recommendation for classification based on the preliminary results generated by the system. Our credit management department will review the classification results and provide its views upon review, and the relevant person responsible for the credit management department will finalise, within his or her scope of authority, the classification of the relevant loan upon further examination. We review our loan classification on a monthly basis.

Our internal 12-grade loan classification system is designed to enable us to better monitor changes in our asset quality, to detect potential credit risks and to conduct more effectively post-disbursement management of our loan portfolio. We believe that this system has strengthened our loan monitoring function and improved our overall credit management.

Management of NPLs

The credit and investment management department at our head office as well as the credit and investment management and risk management department at our branches are primarily responsible for managing our NPLs. When a loan becomes non-performing, the management of the loan is transferred to the relevant credit and investment management department or risk management department. In order to strengthen the management of our NPLs, we optimised our procedures for NPL management. We continue to develop practical and effective measures and methods for recovering or disposing of NPLs.

We manage our NPLs primarily based on the classification of such loans. For sub-standard loans, we focus on monitoring the current assets and cash flows of the borrower, paying particular attention to any major changes in its business. For doubtful loans, we closely monitor the businesses of the borrower and the related guarantor, increase our efforts to examine and preserve the assets of the borrower and actively engage in collecting and recovering these loans. For loss loans, we write off these loans in accordance with the relevant regulatory requirements but continue to seek recovery of the relevant amounts.

To recover NPLs, we generally take, to the extent necessary, the following actions: (i) notification of collection; (ii) cash collection; (iii) restructuring of NPLs; (iv) disposal of collateral or recovery of collateral; (v) collection through legal or arbitration proceedings; (vi) bulk transfer to asset management companies; and (vii) write-offs, once all other collection actions have failed.

To manage better our restructured loans, we have formulated relevant policies that set forth the definitions pertinent to, provisions applicable to and allocation of responsibilities regarding the investigation, approval and post-restructuring management of the restructured loans. Under the relevant management rules, upon its restructuring, a restructured loan may not be initially classified to a category higher than substandard. A restructured loan may not be classified to a category higher than doubtful if, after its restructuring, the restructured loan remains overdue or the borrower remains incapable of repaying the loan. Within the six-month observation period immediately following its restructuring, a restructured loan may not be reclassified to a category higher than the one to which it was initially assigned.

Credit Risk Management for Personal Loans

In an effort to prevent potential credit risks and improve the efficiency of our personal loan approval, we have established personal loan approval centres at our first tier branches to be responsible for reviewing and approving personal loans within their respective jurisdictions and within the authorised limit. Each step of our personal credit business process is operated through our GCMS.

For the purpose of proactively responding to the risks caused by the pandemic, we made every effort to provide credit support and service guarantee for personal customers during the outbreak of the pandemic, and strengthened the mitigation of credit risk for customers whose repayment capability was severely affected by the pandemic. An intelligent implementation plan for credit risk management and control of personal loans was prepared, to strictly manage customer access, and strengthen differentiated risk warning and refined management of NPAs. Furthermore, the personal loan risk monitoring model was optimised to improve monitoring and warning capabilities, the case prevention management was properly conducted to enhance the tracking and remediation of risk events, and close attention was paid to the tracking and governance of key risk points.

Credit Origination and Evaluation

Once a personal loan application is received by the originating branch, our investigator will examine the application materials and investigate the applicant through interviews and site visits. The investigator will also search the databases such as the personal credit information database of the PBOC and our specially designated customer information system for relevant information. The investigator also categorises and scans the application materials and utilises the GCMS to determine the borrower's credit rating, loan application rating, RAROC forecast and pricing valuation. Two officers will be responsible for the investigation. After the investigation, the branch manager will verify the loan application and investigation results in the GCMS and submit the loan application materials to the personal loan approval centre.

Credit Approval

Upon receiving loan application materials, the relevant personal loan approval centre assigns an officer to conduct further review of the loan application from the perspective of credit policy, regulation and risk management. Furthermore, the officer conducts a comprehensive review of the information contained in the loan application materials to verify whether it is objective and reasonable. If this officer recommends approval of the loan application, the application will be submitted to an authorised reviewer in the personal loan approval centre for final approval. If the amount of the loan exceeds the credit authorisation limit of the originating branch, the application will be forwarded to the higher tier branch with the requisite authority.

Loan Disbursement

After a loan application is approved and the authorised person has signed and approved the loan disbursement, the designated personnel of the originating branch are responsible for further ensuring that the required guarantee, if any, is provided, that other pre-conditions required for loan disbursement are fulfiled, that the loan agreement and any other documentation is executed and that the funds are disbursed to the borrower.

Post-disbursement Management

Post-disbursement Monitoring

We conduct post-disbursement monitoring and review of our personal loans, including the monitoring of post-disbursement payment and periodic review, in order to detect potential non-payment or other risks and to implement preventive measures to reduce default risk and take remedial action to minimise potential losses. The frequency of post-disbursement review depends on the use of proceeds and factors that would affect the customers' ability to repay the loans.

Loan Classification

We use the five-category loan classification system to classify our personal loans. The GCMS automatically and quantitatively classifies personal loans based on months overdue, cross default and other parameters. Such quantitative classification result will apply directly if it can accurately reflect the quality of assets. If the quantitative classification result appears to be inaccurate based on post-disbursement monitoring, supervision, collection and other review, our first tier and second tier branches are required to initiate qualitative classification analysis procedures.

Collection of NPLs

Our personal NPLs are managed primarily by the risk management departments at our head office and branches. As part of our efforts to enhance the post-disbursement management of our personal loans, we have implemented standardised rules and procedures for the maintenance and use of our personal credit files and related records.

We have implemented standardised collection, recovery and disposal procedures and measures for our personal NPLs throughout the Bank. When necessary, we initiate legal proceedings to recover NPLs and seek the enforcement of relevant guarantee or insurance obligations.

Credit Risk Management for Credit Cards

We have adopted an applicant scoring mechanism for evaluating and approving our credit card applications, applied the scoring model to credit card approval procedures and set out minimum criteria for application risk control scoring. We have implemented various control strategies, taking into account the risk management capabilities of the institution issuing the credit cards, product feature and actual risk control situation, and we have consistently enhanced the robustness of our internal rating approach in credit card businesses. In evaluating credit card applications, we give full consideration to our CIIS system as well as the credit data provided by the PBOC and those made available by China UnionPay.

Our head office oversees all credit card-related transactions on a Bank-wide basis. We routinely monitor and analyse unusual credit card transactions to reduce credit card fraud and intentional default.

We consolidated the credit management system for credit card business by improving related regulations and processes including the joint prevention and control mechanism for review and approval process and the authenticity review rules; and it established a scenario-based “1+N” credit management mechanism, to realise functions such as credit view, real-time credit granting, and real-time digital card issuance. We innovated the limit management mode and built a customer-based financing limit management and control system. In addition, we established and improved a multi-dimensional risk monitoring system and developed a credit default risk management and control system for existing customers to enhance differentiated risk management and control.

Credit Risk Management for Treasury Operations

Our treasury operations are subject to credit risk as a result of our investment activities and inter-bank lending activities. Our RMB-denominated investment portfolio primarily consists of debt securities issued by the PRC government and other domestic issuers. The amount of the debt securities of any domestic or foreign entity (except the PRC government) that we purchase or our interbank lending to any domestic or foreign entity is limited to the total credit lines that we have approved for that entity. Our foreign currency-denominated investment portfolio primarily consists of investment-grade bonds.

In terms of investment business, we strengthened pre-investment screening and analysis, paid close attention to the redemption risk of bonds due within the year, strengthened the monitoring of exiting bonds in key risk industries, and reinforced duration management. With respect to money market business, we tightened up the pre-review and regular risk assessment of counterparty access, strengthened the systematic management and control of important risk management processes such as authorisation, credit extension, counterparty access, collateral, transaction price and concentration, and improved ex post duration management, with appropriate potential risk analysis and investigation. As for derivative business, we actively promoted the negotiation and signing of ISDA, NAFMII and other legal agreements, strictly managed and controlled the credit line of derivative counterparties through the Global Financial Market Transaction platform and maintained regular monitoring of client margins and credit line.

Achievements in Credit Risk Management in Recent Years

In recent years, in response to the changes in the macroeconomic environment and financial regulatory requirements, we have endeavoured to drive the real economy by financial services and proactively adjusted and improved various credit policies according to the changes in the economic environment and industrial development trends. We have expedited product innovation, optimised credit business procedures, supported the development of the real economy, made greater efforts in credit restructuring and continued the building of the credit system in the PRC. We strictly controlled our credit risks in certain key areas, strengthened credit limit management by industries, standardised the credit operation process and strengthened the construction of credit risk monitoring, verification and supervision. Furthermore, we achieved centralised monitoring of credit risk for customers, institutions, products and processes of the Group and enhanced risk control and prevention. As a result, our credit risk management has been enhanced.

We have adopted an internal rating system for retail and non-retail businesses to conduct customer rating, pricing, monitoring and analysis and have strengthened our credit risk management on the basis of risk quantification. We implemented comprehensive verification and continuous monitoring mechanism for our internal rating system, established model approval and model risk management mechanism, optimising the customer and debt rating model based on the latest data. We utilised the rating results for pre-lending customer access screening, credit approval, risk limit management and early warning, strengthened our economic capital management via risk quantification and have achieved a balance between risks and returns by adopting the risk adjusted return on capital measurement. Furthermore, we have reinforced our credit card rating management and risk control policy, increased the management requirement of cross- default customers and further enhanced the effectiveness of rating results as a risk management tool.

With the concept of "concentration, integration, sharing and exploration", we have established a standard credit risk operation and management platform across our Group in accordance with "ONE ICBC" risk management requirements and in order to support our onshore and offshore institutions for asset business operations, risk management, operational decision and on a 24-hour basis and promote the advancement of our risk management system.

We have also improved industry credit policies and enhanced industry risk management. Based on macroeconomic policy, the orientation of industrial policy and the characteristics of industrial operation, we have continuously adjusted and improved the credit policy for each industry and further expanded the coverage of industrial credit policies. We actively supported the advanced manufacturing, modern services and culture industries and strategic emerging sectors, in line with the country's economic restructuring orientation, and continued to promote the "green credit". By scientifically navigating the direction of granting credit and structural adjustment, we have implemented strict quota management on industries with over-capacity, differentiate out credit policies, improved credit limit management and operation procedures and enhanced the control and withdrawal mechanism for business with potential risks. Consequently, the financing structure has been improved.

We strengthened risk management of loans to LGFVs. We followed the relevant policies and regulatory requirements of the State Council and CBIRC, strictly controlled new financing for LGFVs, timely adjusted policies on loans to LGFVs and accelerated the rectification and credit enhancement of existing loans to LGFVs to optimise the credit structure of the financial vehicles.

We strengthened risk management of the real estate industry. We made efforts to guarantee public well-being in real estate industry, strengthened real estate classification, and continued to support first-tier and key second-tier cities with strong economic foundation and net inflow of population, and whose real estate markets have medium and long-term development potential. Specifically, we mainly supported ordinary residential commercial housing projects aimed at satisfying rigid demands that are in line with regulatory policies. We proactively and prudently promoted financing for commercial rental housing projects and building government-subsidised housing projects in compliance with laws and regulations, and strictly controlled financing for commercial property development and shantytown renovation projects for commercial use.

We strengthened risk management in relation to trade finance. In light of the complex external environment, we have regulated our level of commodity financing, defined stricter access standards for logistic monitoring enterprises and strengthened the supervision of cooperative institutions. We have explored a work mechanism for supply chain financing on our own initiative, developed our off-site monitoring of trade finance, strengthened trade background authenticity verification and improved our system capability in preventing and combating fraudulent transactions.

We continued to strengthen the building of the credit policy system. We revised the regulations on the uniform risk limit management for investment and financing of corporate customers across the board, and formulated basic provisions, basic procedures, calculation methods and occupation rules concerning uniform investment and financing risk limit management. Further advances have been made in improving the customer-oriented limit management system and strengthening the coordinated management of our overall credit risks.

We emphasised on the leading role of credit policy. We proactively supported infrastructure projects under construction and major projects to strengthen areas of weakness, and prioritised advancing high-quality development of manufacturing. We stepped up efforts to support the financing needs of service industries related to people's livelihood, including healthcare, education, elderly care, tourism and culture, and fully implemented the development strategies for private enterprises and inclusive finance. We enhanced the connection between industrial and regional policies and strived to meet the requirements of China's major regional strategies, with a focus on the investment and financing business development and innovation in key areas such as the Guangdong-Hong Kong-Macau Greater Bay Area, the coordinated development of Beijing-Tianjin-Hebei and the Yangtze River Delta Integration as well as the investment and financing needs of Xiong'an New Area.

We enhanced risk management of personal loans. Focusing on personal loan risk inspection and governance, we studied and analysed the risk of critical loan types and granting loans in critical areas. We conducted inspections on personal loan management system reform and collateral management and continued to examine in-depth personal loans. We strengthened daily monitoring and early warning inspection on personal loan risks, optimised its early warning models, and conducted inspections on false mortgage and risk projects across the board. We intensified efforts to collect and dispose personal NPLs and actively promoted the securitisation of personal NPLs.

We enhanced credit risk management of small and micro enterprises. We proactively applied FinTech to comprehensively integrate data information internally and externally, continued to optimise dynamic model monitoring mechanism, and embedded data models into the risk management process including pre-lending customer access screening, analysis and decision-making in the lending process and post-lending supervision and warning systems, to build an online financing risk management system featuring "data-driven, intelligent warning, dynamic management and continuous operation". Moreover, we strengthened the risk prevention and control responsibilities of special institutions such as inclusive finance departments and small and micro centres at branches and improved the entire risk management system covering customer access and post-lending management, so as to efficiently manage risk.

The risk management process of our credit card business was also enhanced. We continued to improve credit-granting policies and promoted the development and upgrading of intelligent inspection and approval system, so as to make our credit management more automatic. We promoted the establishment of a big data-based risk control system, and continuously improved access models and business strategies by introducing multidimensional external data such as credit reference information of the PBOC. BLAZE, a decision-making engine, was further utilised in issuing credit card and limiting adjustment to make risk control more automatic. We also continued to improve the intelligent risk management and control system. We followed the vision of comprehensive risk monitoring and management and took advantage of our risk management and control technology of big data measurement and expert strategy development. We focused on risk asset control and solution through forward-looking and multi-dimension monitoring measures.

We strengthened our market risk management. Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardising the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximise risk-adjusted return according to our risk appetite.

We strengthened the quality management of credit assets to guarantee the stable quality of such assets. We improved our NPL forecasting and alert mechanism to facilitate timely risk response measures. We strengthened the management of NPLs in key areas and large-amount NPLs and enhanced the management, collection and disposal of NPLs. We also strengthened write-off management and carried out bad debt write-offs in an orderly manner. In addition, we proactively disposed of NPLs through bulk transfer, interest-free repayment, payment-in-kind and other means and broadened the channels for NPL disposal.

Large Exposures Management

We actively established and improved the management structure and system for large exposures, improved relevant rules and regulations, and clarified requirements on management framework, calculation method, policy and procedures related to large exposures management. Efforts were also made to promote the system related to large exposures management to effectively manage our large exposures.

Risk Management for Asset Management

We actively implemented the requirements of New Rules on Asset Management, strictly implemented the principle of "risk isolation between agency investment and proprietary business", and continued to strengthen the construction of system for managing asset management risk, to promote the transformation of such management system. The credit risk management mechanism was regulated for non-standardised agency investment business after the establishment of ICBC Wealth Management, and the basic management system for non-standardised agency investment business was revised, to intensify the refined and differentiated management of key businesses. With the continuous optimisation of IT system functions related to asset management, the whole-process and systematic management of agency investment business was strengthened. The wealth management and investment risks were reviewed, to strictly control the use of wealth management funds. To optimise and improve the credit rating mechanism, a credit rating system with full market coverage and dynamic adjustment was established. With close attention paid to market fluctuations, market research and judgement was intensified, and stress testing was carried out on a regular basis, so that risk management could be more forward-looking and effective. Besides, a dynamic and prudent liquidity risk management system was built, to reasonably match product maturity and asset maturity, and tighten up liquidity monitoring at key points in time.

MARKET RISK

Market Risk Management

Market risk refers to the risk of loss in the on and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, stock prices and commodity prices). Our market risk is primarily exposed to interest rate risk and currency risk (including gold).

Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardising the measurement approaches, limit management indicators and market risk reports, controlling and preventing market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximise risk-adjusted return according to our risk appetite.

We strictly comply with regulatory requirements on market risk management, have implemented an independent, centralised and coordinated market risk management model, and formed a management organisational structure featuring the segregation of the front, the middle and the back offices in the financial market business. The Board assumes the ultimate responsibility for monitoring market risk management. The senior management is responsible for executing the strategies, overall policy and system concerning market risk management approved by the Board. The Market Risk Management Committee of the senior management is our reviewing and decision-making organ in respect of market risk management, is responsible for reviewing material affairs of market risk management and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The risk management departments at different levels undertake the responsibility of coordinating market risk management at respective levels, and the business departments implement market risk management policies and standards for their respective business areas in accordance with their functions.

In 2020, we continued to improve the Group's market risk management, and deepened the establishment of market risk management system at the Group's level, to enrich and ameliorate the market risk management policy system on an ongoing basis. We innovated the financial market business and product risk management system, and established a product life-cycle risk assessment and review mechanism. To cement the market risk management of overseas institutions, a major market risk emergency management plan for overseas institutions was formulated. The Group's market risk appetite and limit transmission mechanism was improved, to strictly control the Group's market risk limits. A forward-looking analysis of interest rate, exchange rate and commodity risks were conducted in a timely manner, with the establishment of a quick risk reporting mechanism during the COVID-19 pandemic. Empowered by technologies, the market risk management system was more intelligent, thus enhancing the optimisation, management and application of functions such as stress testing and continuously promoting the extended application of global market risk management system to overseas institutions.

Market Risk Management of the Trading Book

We kept strengthening trading book market risk management and product control, and adopted the value-at-risk, stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. We continued to improve the portfolio-based market risk limit management system, refined the limit indicator system, ameliorated the dynamic management mechanism, and realised quick and flexible limit monitoring and dynamic adjustments based on the GMRM system, to meet the requirements of new products and businesses for timeliness.

Currency Risk Management

Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's mismatch between foreign currency assets and liabilities. Our objective of currency risk management is to control the impact of exchange rate fluctuations on our financial position and shareholders' equity within a tolerable extent. We mitigate such risk principally by limit management and hedging of risks. We carry out sensitivity analysis and stress testing of currency risk on a quarterly basis, and the senior management and the Market Risk Management Committee review the currency risk reports on a quarterly basis.

In 2020, we closely watched the changes in external environment and market conditions, actively took a combination of measures such as limit management and hedging of risks to improve the matching degree of the Group's foreign exchange assets and liabilities, and strengthened capital fund preservation management of overseas institutions. The currency risk was controllable in general.

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall profit of the banking book arising from adverse movements in interest rate and maturity structure.

Management of Interest Rate Risk in the Banking Book

In 2020, we actively responded to the challenges brought about by the deepened interest rate liberalisation and the impact of the COVID-19 pandemic. We continued to optimise the interest rate risk portfolio control mechanism, improved the "group-wide, full-process and full-product" interest rate risk limit management system, developed a systematic and intelligent risk warning, prevention and control mechanism, and refined the access assessment, accountability and emergency management process, to enhance risk management capabilities in a complex interest rate environment. Besides, a proactive and forward-looking interest rate risk management strategy was implemented, cross-cycle policies were appropriately designed, and a combination of asset-liability quantitative instruments, price instruments and derivative instruments was utilised, to prop up the steady growth of the Group's overall income and long-term value.

Management System and Governance Structure for Interest Rate Risk in the Banking Book

Our management system for interest rate risk in the banking book conforms to the system importance, risk status and business complexity, and fits our overall development strategy and the enterprise risk management system. The system mainly consists of the following elements: an effective risk governance structure; sound risk management strategies, policies and procedures; effective risk identification, measurement, monitoring, control and mitigation that cover all areas; a complete internal control and review mechanism; a fully-built risk management system; and adequate information disclosure and reporting.

We strictly complied with regulatory requirements for interest rate risk in the banking book, effectively managed our interest rate risk in the banking book and consolidated level and developed a sound governance structure for interest rate risk management in the banking book that is fully built and well-structured, with clearly defined rights and responsibilities. The Board and the senior management are vested with the ultimate and executive responsibilities, respectively, for managing interest rate risk in the banking book. The asset & liability management department of the head office takes the leading role in managing interest rate risk in the banking book, and other departments and institutions play their roles in implementing policies and standards concerning interest rate risk in the banking book. The internal audit bureau and internal control & compliance department of the head office are responsible for reviewing and evaluating duties in respective of interest rate risk in the banking book.

Objective, Strategy and Important Policy of Management of Interest Rate Risk in the Banking Book

We aim to maximise the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite.

We formulated strategies and clarified objectives and modes for managing interest rate risk in the banking book based on risk appetite, risk status, macroeconomic and market changes. Based on the pre-judging of the interest rate trend and measurement results of the changes in overall profit and economic value, we formulated and put into practice relevant management policies, and adopted a coordinated approach to using interest rate risk control tools to mitigate and manage risks, so as to ensure our actual interest rate risks conform to its bearing capability and willingness.

On the basis of management strategies and objectives, we developed policies and clarified the modes and instruments for managing interest rate risk in the banking book. By developing and modifying such methods such as on-balance sheet adjustment and off-balance sheet hedging to manage interest rate risk, adeptly using quantity, pricing and derivative instruments regarding assets and liabilities, and applying limit management system, business plan, performance assessment and capital evaluation in all areas for interest rate risk management and assessment, we achieved effective control of interest rate risk at the business lines, the branches, the affiliates and the products and portfolios easily affected by interest rate risk.

Stress Testing

In line with the principles of comprehensiveness, prudence and foresight, our stress testing on interest rate risk in the banking book adopted the interest rate risk exposure measurement approach and standardised duration approach to measure the effect of interest rate changes under different stress scenarios on the overall profit and economic value. Based on domestic and overseas regulatory requirements, the bank-wide asset and liability business structure, operation and management as well as risk appetite, we set stress testing scenarios for interest rate risk in the banking book by taking into account the current interest rate level, historical changes and trends, total assets and liabilities and their term characteristics, business development strategies, customer behaviours and other factors, and conducted stress testing quarterly.

LIQUIDITY RISK

Liquidity Risk Management

Liquidity risk is the risk that we are unable to raise funds on a timely basis at a reasonable cost to settle liabilities as they fall due, or perform other payment obligations and satisfy other funding demands arising from the normal course of business. Liquidity risk may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realisation, operating losses, derivatives trading risk and risk associated with its affiliates.

Taking into consideration changes in the macroeconomic environment and financial regulatory policies, we continue to strengthen the development of our liquidity risk management system and improve the management of our liquidity risk. In light of the regulatory requirements of the Regulations Governing the Liquidity Risk of Commercial Banks《商業銀行流動性風險管理條例辦法》（銀保監會令2018年第3號）and relevant requirements, we have implemented liquidity risk management related policies, revised our emergency measures for liquidity risks and further improved our liquidity risk management systems. We also coordinated the management of on and off-balance sheet liquidity risk and provided guidance for overseas institutions to adjust their assets and liabilities structure. Furthermore, we optimised the management model for our treasury businesses and continued to enhance our liquidity risk management capabilities on a consolidated basis.

In 2020, we continued to uphold a steady and prudent liquidity risk management strategy, kept strengthening liquidity risk management, and took different measures to ensure that the Group's liquidity could be stable and safe. We tightened up the monitoring on funds, and maintained reasonable and affluent liquidity reserves, so as to manage liquidity risk properly during peak payments, important holidays and key points in time. Besides, the Group's liquidity risk management system was optimised constantly, the application of fund operation and monitoring system was strengthened, the automation level of liquidity risk measurement and control system was enhanced, and the multi-layer and multi-dimensional liquidity monitoring and warning system was upgraded, to further improve the Group's liquidity risk prevention capabilities.

Liquidity Risk Management System and Governance Structure

Our liquidity risk management system conforms to our overall development strategy and overall risk management system, and is commensurate with our business scale, business nature, complexity and other aspects. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control for liquidity risk and a complete management information system.

In respect of liquidity risk management, our governance structure embodies the decision-making system comprising the Board and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the head office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department of the head office; and the execution system comprising the Asset and Liability Management Department, leading management departments of on- and off-balance sheet businesses, the information technology departments, operation management departments of the head office and relevant departments of branches. Each of these systems performs the corresponding functions of decision making, supervision and execution according to division of responsibilities.

Objectives, strategies and major policies for liquidity risk management

By establishing and improving the liquidity risk management system, we aim at realising complete identification, accurate measurement, continuous monitoring and effective control of the liquidity risk at the Group level, the Bank, the affiliates, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario.

Our liquidity risk management strategy and policy are formulated in accordance with our liquidity risk appetite, and they cover all businesses on- and off-balance sheet, all domestic and overseas business departments, branches and affiliates that are likely to have a material impact on the liquidity risk, and contain the liquidity risk management under normal and stressed scenarios. Our liquidity risk management strategy specifies the overall objective and mode of liquidity risk management and lists major policies and procedures for liquidity risk management. The policies for liquidity risk management are formulated in accordance with external and macro operating environments and our business development, with a view to striking an effective balance among security, liquidity and profitability.

Liquidity risk management model

Our liquidity risk management department at the head office level manages the liquidity risk of the Group on a consolidated basis. The head office manages our liquidity risk of in a unified and centralised manner and ensures our liquidity security through dynamic adjustment of the aggregate and structure of assets and liabilities, whereas the affiliates assume primary responsibilities concerning liquidity risk management of respective institution, and undertake corresponding responsibilities as required by the leading liquidity risk management departments of the head office. The business departments that manage the on and off-balance sheet businesses at the head office, domestic and overseas branches and institutions effectively implement the requirements of the Group's liquidity management policies. Furthermore, they cooperate with the departments in charge of liquidity management in terms of risk detection, measurement, monitoring and reporting.

Stress testing

Following the prudence principle, we employ the scenario analysis and the sensitivity analysis to perform stress testing on liquidity risk. We have taken full consideration of various macroscopic and microscopic factors that may influence our liquidity status to set stress scenarios against those products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of our businesses. We perform stress testing on a quarterly basis. Where necessary, we may carry out temporary and special stress testing at a particular time in light of changes in the external operating environment and regulatory requirements.

OPERATIONAL RISK

Operational Risk Management

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks that we face, including risks associated with internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution and delivery and process management constitute major sources of operational risk losses.

We strictly comply with regulatory requirements on operational risk management. The Board, the Board of Supervisors, the senior management and its Operational Risk Management Committee are respectively responsible for decision-making, supervision and execution with respect to operational risk management, and relevant departments act as the "three lines of defence" for operational risk management pursuant to their management functions, thus forming an operational risk management system with close connection and mutual cheques and balances. Institutions and departments function as the first line of defence, which assume the direct responsibility for respective operational risk management. Classified management departments such as Internal Control & Compliance, Legal Affairs, Security, Financial Technology, Finance & Accounting, Operation Management and Human Resources as well as cross-risk management departments including Credit and Investment Management and Risk Management jointly perform the functions as the second line of defence, which are respectively responsible for the lead management of operational risk, the classified management of certain type of operational risk and the management of operational risk across credit and market risks. The Internal Audit Department performs the functions as the third line of defence and assumes the responsibility for supervision, which is responsible for supervising the effectiveness of operational risk management.

In 2020, we continued to reinforce operational risk management in line with regulatory focuses and operational risk trends. We optimised the risk limit decomposition and implementation mechanism, effectively transmitted the Group's operational risk management appetite, and strengthened risk warning and forward-looking control of large-value operational risk events. The operational risk and control self-assessment under "regulatory red line" was carried out, with the focus on key risk points in major areas of regulatory penalties, to further address gaps and energetically improve a long-term risk control mechanism. Moreover, the operational risk application and management system was optimised, to continuously enhance effective risk data aggregation and risk reporting capabilities. In 2020, our operational risk management system operated smoothly, and the operational risk was controllable on the whole.

LEGAL RISK

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with our failure to comply with relevant laws, regulations, administrative rules, regulatory provisions or requirements of other relevant rules during our operation; the unfavourable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by us; legal disputes (litigation or arbitration proceedings) between us and our clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, we always attach great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management and assumes the ultimate responsibility of legal risk management. The senior management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the head office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. Our affiliates, domestic and overseas branches undertake the responsibility of legal risk management of their respective institutions.

In 2020, we continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. In accordance with new laws and regulations such as the Civil Code, our business rules and relevant agreements were continuously improved, and legal risk prevention and control in key areas and links was further pushed forward in line with new requirements of financial regulators. We improved both the vertical interconnection and horizontal coordination mechanism between the head office and branches. By systematically embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, we made risk prevention and control more prospective, proactive and targeted. We improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, properly responding to cross-border legal issues emerging in the development of international operations. Moreover, we ameliorated the function design and management mechanic for the electronic signing system, to strengthen our strict control of seal use in business contracts during the whole process, and effectively prevent and control operational risk, legal risk and reputational risk caused by misuse of contract seal. We reinforced authorisation management, related party management, trademark management and intellectual property protection, and made efforts to effectively institutionalise risk management and control and refine the structure of the system. A variety of legal means were utilised comprehensively to improve the effectiveness of collection, practically cement the risk prevention and control of sued cases, avoid and reduce risk losses. In addition to the active assist in online judicial inquiry and enforcement, we played a positive role in improving the efficiency of law enforcement and case handling by competent authorities and building a social credibility system.

ANTI-MONEY LAUNDERING

In strict compliance with anti-money laundering ("AML") laws and regulations of China and host countries (regions) of overseas institutions, we earnestly implemented the "risk-based" regulatory requirements in respect of AML, and sincerely fulfiled the legal obligations and social responsibilities concerning AML, thus further enhancing the quality and efficiency of AML work.

We pushed forward the all-around building of the Group's AML management capability by starting the "AML Management Capability Improvement Project". AML training and education activities covering "learning, training, speaking and testing" were organised and conducted, to popularise AML knowledge and improve AML skills. The governance of customer identification and the management and control of high-risk areas were effectively boosted, for the purpose of comprehensively reconstructing a money laundering risk assessment system integrating "customers, products and institutions". Besides, the prevention and control of sensitive information risks was intensified, and the research, judgement and reporting of suspicious transactions was reinforced, to facilitate the intelligent construction of AML system in an orderly manner, and build an intelligent, open, shared and integrated AML ecosystem.

Save as disclosed under "*Risk Factors – Other Risks Relating to Our Business – We may not be able to prevent fully or to detect timely any money laundering and other illegal or improper activities*", we are not currently aware of any money laundering or terrorist financing activities engaged in by, or involving any employee of, our domestic or overseas branches or subsidiaries which may materially and adversely affect our business, financial condition and results of operations.

REPUTATIONAL RISK

Reputational risk is defined as the risk of negative comments on us from stakeholders, the public or the media as a result of our behaviours or practitioners or external events, thereby damaging brand value, detrimental to normal operation, and even affecting market and social stability. Reputational risk may arise in any part of our operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk. Good reputation is central to the operation and management of a commercial bank. We highly value our reputation and have incorporated reputational risk management in our corporate governance and enterprise risk management system to prevent reputational risk.

The Board of Directors is responsible for reviewing and finalising bank-wide policies concerning reputational risk management that are in line with our strategic objective, establishing a bank-wide system of reputational risk management, monitoring the overall status and effectiveness of reputational risk management across the Group and assuming the ultimate responsibility for reputational risk management. The senior management is responsible for leading reputational risk management, implementing the strategies and policies established by the Board of Directors, reviewing and finalising the rules, measures and operating procedures for reputational risk management, preparing plans for responding to and coping with extraordinarily major reputational risk events and ensuring the proper and effective operation of the reputational risk management system. We have established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2020, we kept improving the structure of reputational risk management system, to optimise relevant working mechanism and enhance reputational risk management. For the improvement of institutional construction, a sound responsibility review and identification mechanism for reputational risk events was established, to consolidate the main management responsibilities, strengthen the governance of reputational risk sources, and mitigate hidden reputational risk in an active and effective manner. In addition, we promptly responded to social focuses and public concerns, and organised and promoted influential brand communication activities, to enhance our brand image. In 2020, our reputational risk was stable and within a controllable range.

COUNTRY RISK

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by us or our commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalisation or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

We strictly observe regulatory requirements on country risk management. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The senior management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management

Committee of the head office is responsible for reviewing matters regarding country risk management. We manage and control country risk with a series of tools, including country risk assessment and rating, country risk limit, country risk exposure calculation and monitoring and stress testing. We review the country risk rating and limits at least once every year.

In 2020, facing the increasingly complicated international political and economic environment under the COVID-19 pandemic, we strictly abode by regulatory requirements and, with consideration of our business development needs, continued to strengthen country risk management. We closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. We continued to strengthen early warning mechanism for country risk, proactively conducted stress testing on country risk and reasonably and effectively controlled country risk while steadily promoting internationalisation.

INTERNAL CONTROL

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee and the Related Party Transactions Control Committee of the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. We have set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The head office and branches have internal control and compliance departments which are responsible for the organisation, promotion and coordination of internal control.

The internal control environment has been optimised continuously. We continued to improve the operational mechanism featuring “scientific decision-making, effective supervision and stable operation”, promoted the epidemic prevention and control and our high-quality innovative development, and pushed forward the implementation of major strategies such as the No. 1 Personal Bank Strategy, the Preferred Bank Strategy for Domestic Foreign Exchange Business, and the Strategy for Sharpening Competitive Edge in Key Regions. We practised the responsibilities of a large bank, and continued to promote green credit, inclusive finance and targeted poverty alleviation, and provided credit support for epidemic prevention and control and enterprises’ resumption of work and production. We carried out the campaign of “Year of Policy Governance” to cultivate compliance culture.

The risk governance ability has been enhanced in an all-round way. We enriched enterprise risk management in the new era, clarified the global, comprehensive and brand-new risk management requirements involving all personnel, spanning all processes and covering all risk exposures and the risk governance path of “active prevention, smart control and comprehensive management”. We built an intelligent credit risk prevention and control system by pool, region and segment, and improved the credit risk mitigation measures. We kept a close eye on the business exposures and trading risks of global markets and each institution and made overall planning for market risk management. We comprehensively optimised the operational risk management system and continued to conduct governance and prevention of major operational risks. We paid close attention to the impact of the epidemic, external political, economic and other environmental changes, and kept tracking and monitoring country risk. We implemented the reporting mechanism composed of monthly report on public opinions, daily express and real-time reporting, and consolidated the primary responsibility for reputational risk.

The business control measures have been intensified continuously. We promoted the application of intelligent risk control system to realise the risk monitoring of the whole spectrum of corporate customers and the whole life cycle of accounts. We accelerated the establishment of a new internal accounting management system and strengthened the risk control of internal accounts. We optimised the system governance mechanism and enhanced our system governance capability. We pushed forward the implementation of Internal Control Manual by tier and line to improve internal control. We issued the Anti-money Laundering Rules (Version 2020) to further improve the anti-money laundering governance system. We improved the “authenticity” review mechanism in the credit field, optimised the underlying asset penetration management and transaction management and control system for wealth management business, and established the foreign exchange business competitiveness assessment index system and foreign exchange deposit and loan pricing authorisation mechanism. We continuously optimised the credit card anti-fraud strategy and system function, and constantly improved the supervision of key links in the process of and after the event.

The information sharing quality has been constantly improved. We expanded the breadth and depth of information disclosure to comprehensively improve the quality of information disclosure. We advanced the construction of smart banking ECOS project and new-generation cloud platform to ensure the safe and stable operation of information system. We adhered to place equal emphasis on the establishment of a long-acting mechanism of "solid foundation by risk control" and the strict punishment of areas with a high incidence of cases, established a grid-based intelligent management and control system for abnormal behaviour, and strengthened the basic management of case prevention.

The internal supervision has been significantly enhanced. The three lines of defence for risk prevention and control worked together to give play to the big supervision system. We optimised the internal control assessment mechanism and enhanced the ability of "promoting management by assessment". We carried out review of the crackdown on market chaos and strengthened internal audit supervision. We promoted the remediation of problems found in internal and external inspections and clarified that the Responsibility Identification Committee and the Accountability Committee should be responsible for investigating responsibility for various risks. We consolidated the closed-loop management of supervision and inspection and improved the accuracy and deterrence of accountability.

ASSETS AND LIABILITIES

Prospective investors should read the discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements as at and for the years ended 31 December 2018, 2019 and 2020 together with the related notes thereto incorporated by reference in this Offering Circular. Save as described under "Presentation of Information" in this Offering Circular, the consolidated financial information set forth below is derived from the financial statements incorporated by reference in this Offering Circular. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.

ASSETS

As at 31 December 2018, 2019 and 2020, our total assets amounted to RMB27,699,540 million, RMB30,109,436 million and RMB33,345,058 million, respectively. Our assets primarily comprise (i) loans and advances to customers, (ii) investment, (iii) cash and balances with central banks, (iv) due from banks and other financial institutions and (v) reverse repurchase agreements.

The following table sets forth, as at the dates indicated, the components of our total assets.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Loans and advances to customers, gross	15,419,905	–	16,761,319	–	18,624,308	–
Add: Accrued interest	38,958	–	43,731	–	42,320	–
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost[1]	413,177	–	478,730	–	530,300	–
Net loans and advances to customers	15,046,132	54.3	16,326,552	54.2	18,136,328	54.4
Investment	6,754,692	24.4	7,647,117	25.4	8,591,139	25.8
Cash and balances with central banks	3,372,576	12.2	3,317,916	11.0	3,537,795	10.6
Due from banks and other financial institutions	962,449	3.5	1,042,368	3.5	1,081,897	3.2
Reverse repurchase agreements	734,049	2.6	845,186	2.8	739,288	2.2
Other assets	829,642	3.0	930,297	3.1	1,258,611	3.8
Total assets	**27,699,540**	**100.0**	**30,109,436**	**100.0**	**33,345,058**	**100.0**

Note:

(1) Calculated by adding allowance for impairment losses on loans and advances to customers measured at amortised cost with allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

As at 31 December 2019, we had total assets of RMB30,109,436 million, representing an increase of 8.7 per cent. from total assets of RMB27,699,540 million as at 31 December 2018, of which loans and advances to customers increased by RMB1,341,414 million, or 8.7 per cent., investment increased by RMB892,425 million, or 13.2 per cent., and cash and balances with central banks decreased by RMB54,660 million, or 1.6 per cent. In terms of structure, net loans and advances to customers accounted for 54.2 per cent. of total assets, representing a decrease of 0.1 per cent. from 31 December 2018; investment accounted for 25.4 per cent. of total assets, representing an increase of 1.0 per cent. from 31 December 2018; cash and balances with central banks accounted for 11.0 per cent. of total assets, representing a decrease of 1.2 per cent. from 31 December 2018; due from banks and other financial institutions accounted for 3.5 per cent. of total assets, representing no change in percentage from 31 December 2018; reverse repurchase agreements accounted for 2.8 per cent. of total assets, representing an increase of 0.2 per cent. from 31 December 2018; and other assets accounted for 3.1 per cent. of total assets, representing an increase of 0.1 per cent. from 31 December 2018.

As at 31 December 2020, we had total assets of RMB33,345,058 million, representing an increase of 10.7 per cent. from total assets of RMB30,109,436 million as at 31 December 2019, of which loans and advances to customers increased by RMB1,862,989 million, or 11.1 per cent., investment increased by RMB944,022 million, or 12.3 per cent., and cash and balances with central banks increased by RMB219,879 million, or 6.6 per cent. In terms of structure, net loans and advances to customers accounted for 54.4 per cent. of total assets, representing an increase of 0.2 per cent. from 31 December 2019; investment accounted for 25.8 per cent. of total assets, representing an increase of 0.4 per cent. from 31 December 2019; cash and balances with central banks accounted for 10.6 per cent. of total assets, representing a decrease of 0.4 per cent. from 31 December 2019; due from banks and other financial institutions accounted for 3.2 per cent. of total assets, representing a decrease of 0.3 per cent. from 31 December 2019; reverse repurchase agreements accounted for 2.2 per cent. of total assets, representing a decrease of 0.6 per cent. from 31 December 2019; and other assets accounted for 3.8 per cent. of total assets, representing an increase of 0.7 per cent. from 31 December 2019.

Loans and Advances to Customers

We provide a broad range of loan products to our customers, the majority of which are denominated in Renminbi. Loans and advances to customers are the largest component of our assets. As at 31 December 2018, 2019 and 2020, our net loans and advances to customers accounted for 54.3 per cent., 54.2 per cent. and 54.4 per cent., respectively, of our total assets. For a description of the loan products we offer, see "*Description of the Bank – Our Business Operations*".

Unless otherwise indicated in this Offering Circular, the following discussion is based on our gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than our net loans and advances to customers. Our loans and advances to customers are reported net of the allowance for impairment losses on our consolidated statement of financial position.

Our gross loans and advances to customers increased by 8.7 per cent. from RMB15,419,905 million as at 31 December 2018 to RMB16,761,319 million as at 31 December 2019. As at 31 December 2020, our gross loans and advances to customers amounted to RMB18,624,308 million, representing an increase of 11.1 per cent. compared to 31 December 2019.

The loan disbursement volume and availability progress exceed the same-period levels of the past few years. In 2020, we strengthened our support for the real economy, by supporting the key areas such as major infrastructure projects under construction and for weakness improvement, advanced manufacturing, national strategic regions, private enterprises and inclusive finance, as well as the financing demands of resident households for owner-occupied houses. As at 31 December 2020, RMB denominated loans of domestic branches were RMB16,805,218 million, representing an increase of 12.6 per cent. as compared to 31 December 2019.

In 2018, 2019 and 2020, we strengthened support for key projects and programmes in the "four regions" (western regions, northeastern regions, eastern regions and central regions) and the "Three Supporting Belts" (the "Belt and Road", the coordinated development of the Beijing-Tianjin-Hebei region and the development of the Yangtze River Delta Integration). Moreover, we established the Inclusive Finance Department and took active steps to support small and micro businesses, "agriculture, rural areas and rural residents", "mass entrepreneurship and innovations" and poverty relief. We focused on "cutting overcapacity, reducing excess inventory and deleveraging" to reduce financial resources tied up by inefficient industries and enterprises. Furthermore, we actively supported the residents' rational demand for housing financing.

Distribution of Gross Loans and Advances to Customers by Business Line

The following table sets forth a breakdown of our gross loans and advances to customers by business line as at the dates indicated.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Corporate loans	9,418,894	61.0	9,955,821	59.4	11,102,733	59.6
Discounted bills	364,437	2.4	421,874	2.5	406,296	2.2
Personal loans	5,636,574	36.6	6,383,624	38.1	7,115,279	38.2
Total	**15,419,905**	**100.0**	**16,761,319**	**100.0**	**18,624,308**	**100.0**

As at 31 December 2018, 2019 and 2020, our corporate loans accounted for 61.0 per cent., 59.4 per cent. and 59.6 per cent., respectively, of our gross loans and advances to customers; and our personal loans accounted for 36.6 per cent., 38.1 per cent. and 38.2 per cent., respectively, of our gross loans and advances to customers.

The total size of our corporate loan portfolio has continued to grow during the periods under review. Our corporate loans increased by 5.7 per cent. from RMB9,418,894 million as at 31 December 2018 to RMB9,955,821 million as at 31 December 2019. As at 31 December 2020, our corporate loans increased by 11.5 per cent. from RMB9,955,821 million as at 31 December 2019 to RMB11,102,733 million. We actively supported the construction of ongoing infrastructure projects and major projects for making up shortcomings and offered prominent support to the high-quality development of manufacturing, to meet funding requirements of customers in anti-epidemic service sectors for continuing operations. Therefore, our corporate loans in key areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region remained growing.

As at 31 December 2018, 2019 and 2020, our total discounted bills accounted for 2.4 per cent., 2.5 per cent. and 2.2 per cent., respectively, of our gross loans and advances to customers. Our discounted bills increased by RMB57,437 million to RMB421,874 million as at 31 December 2019 from RMB364,437 million as at 31 December 2018. As at 31 December 2020, our discounted bills decreased by RMB15,578 million to RMB406,296 million from RMB421,874 million as at 31 December 2019.

Our personal loans were increased from 31 December 2018 to 31 December 2020. Our total personal loans increased by 13.3 per cent. from RMB5,636,574 million as at 31 December 2018 to RMB6,383,624 million as at 31 December 2019. As at 31 December 2020, our personal loans increased by 11.5 per cent. from RMB6,383,624 million as at 31 December 2019 to RMB7,115,279 million, of which, residential mortgages grew by RMB562,036 million or 10.9 per cent. and personal business loans increased by RMB175,742 million or 50.8 per cent., which mainly due to the rapid growth of key lending products in the inclusive finance areas such as Online Revolving Loan and Quick Lending for Operation.

Corporate Loans

Distribution of corporate loans by maturity

The following table sets forth, as at the dates indicated, our corporate loans by maturity.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Short-term corporate loans[(1)]	2,504,493	26.6	2,458,321	24.7	2,643,212	23.8
Medium to long-term corporate loans[(2)]	6,914,401	73.4	7,497,500	75.3	8,459,521	76.2
Total corporate loans	**9,418,894**	**100.0**	**9,955,821**	**100.0**	**11,102,733**	**100.0**

Notes:

(1) Short-term corporate loans represent our corporate loans that have a maturity of 12 months or less according to the respective loan contracts.

(2) Medium to long-term corporate loans represent our corporate loans that have a maturity of more than 12 months according to the respective loan contracts.

Medium to long-term corporate loans constituted a relatively large proportion of our corporate loans during the periods under review. Our medium to long-term corporate loans were RMB6,914,401 million as at 31 December 2018 and increased by 8.4 per cent. to RMB7,497,500 million as at 31 December 2019, and further increased by 12.8 per cent. to RMB8,459,521 million as at 31 December 2020.

As at 31 December 2020, our short-term corporate loans amounted to RMB2,643,212 million, representing an increase by 7.5 per cent. from 31 December 2019. As at 31 December 2018, 2019 and 2020, our short-term corporate loans accounted for 26.6 per cent., 24.7 per cent., and 23.8 per cent. respectively, of our total corporate loans.

Distribution of corporate loans by industry

The following table sets forth the distribution of domestic branch loans by industry as at the dates indicated.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Transportation, storage and postal services	1,894,425	23.8	2,131,892	24.9	2,467,959	25.2
Manufacturing	1,385,463	17.4	1,445,154	16.9	1,555,382	15.9
Leasing and commercial services	1,048,548	13.2	1,187,749	13.9	1,441,688	14.8
Production and supply of electricity, heat, gas and water	919,768	11.5	934,414	10.9	995,232	10.2
Water, environment and public utility management	770,221	9.7	910,504	10.6	1,154,201	11.8
Wholesale and retail	488,031	6.1	406,532	4.7	437,283	4.5
Real estate	592,031	7.4	638,055	7.5	701,094	7.2
Construction	232,736	2.9	252,104	2.9	260,667	2.7
Mining	185,313	2.3	166,434	2.0	177,408	1.8
Science, education, culture and sanitation	170,315	2.1	208,560	2.4	245,378	2.5
Lodging and catering	95,530	1.2	88,448	1.0	83,886	0.9
Others	191,146	2.4	190,096	2.3	247,866	2.5
Total corporate loans	**7,973,527**	**100.0**	**8,559,942**	**100.0**	**9,768,044**	**100.0**

As at 31 December 2020, a majority of our corporate loan customers operated in the (i) transportation, storage and postal services, (ii) manufacturing, (iii) leasing and commercial services, (iv) water, environment and public utility management and (v) production and supply of electricity, heat, gas and water which accounted for 25.2 per cent., 15.9 per cent., 14.8 per cent., 11.8 per cent. and 10.2 per cent., respectively, of our total corporate loans as at that date. As at 31 December 2018, 2019 and 2020, the balance of our corporate loans in the top five industries in aggregate accounted for 75.6 per cent., 77.2 per cent., and 77.9 per cent., respectively, of our total corporate loans.

In 2020, we continued to propel the optimisation and adjustment of the industry's credit structure, stepped up efforts to shore up the development of the real economy, and made every effort to guarantee the funding needs of key enterprises for pandemic containment. Loans to transportation, storage and postal services increased by RMB336,067 million as compared with the end of the previous year, representing a growth rate of 15.8 per cent., mainly due to increased credit support for key projects in such areas as highways and railways. Loans to leasing and commercial services increased by RMB253,939 million, representing a growth rate of 21.4 per cent., mainly for supporting the financing needs of developing projects for people's wellbeing, projects for strengthening areas of weaknesses in infrastructure, and for serving such strategic planning areas as national new areas, development zones and free trade zones. Loans to water, environment and public utility management grew by RMB243,697 million, representing a growth rate of 26.8 per cent., mainly for steadily satisfying the investment and financing needs arising from significant projects and projects for people's livelihood in the areas of urban infrastructure construction, ecological environment protection and public services. Manufacturing loans rose by RMB110,228 million, representing an increase of 7.6 per cent., mainly due to continuously increased credit support for high-end equipment manufacturing, epidemic prevention and material guarantee. Impacted by the COVID-19 pandemic, loans to some customers in the industries of leasing and commercial services, wholesale and retail deteriorated, hence the balance of NPLs increased to some extent.

Personal Loans

The following table sets forth, as at the dates indicated, a breakdown of our personal loans by product.

	As at 31 December					
	2018		2019		2020	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in RMB millions, except percentages)					
Residential mortgages	4,589,961	81.5	5,166,279	80.9	5,728,315	80.5
Personal consumption loans	204,162	3.6	193,516	3.0	183,716	2.6
Personal business loans	215,983	3.8	345,896	5.4	521,638	7.3
Credit card overdrafts	626,468	11.1	677,933	10.7	681,610	9.6
Total personal loans	**5,636,574**	**100.0**	**6,383,624**	**100.0**	**7,115,279**	**100.0**

As at 31 December 2020, our personal loans amounted to RMB7,115,279 million, representing an increase of RMB731,655 million or 11.5 per cent. as compared to 31 December 2019.

Residential mortgages are the largest component of our personal loans. Our residential mortgages were RMB4,589,961 million as at 31 December 2018, and increased by RMB576,318 million or 12.6 per cent. to RMB5,166,279 million as at 31 December 2019. As at 31 December 2020, our residential mortgages further increased by RMB562,036 million or 10.9 per cent. to RMB5,728,315 million as compared to 31 December 2019.

Our personal consumption loans were RMB204,162 million as at 31 December 2018, and decreased by RMB10,646 million or 5.2 per cent. to RMB193,516 million as at 31 December 2019. As at 31 December 2020, our personal consumption loans further decreased by RMB9,800 million or 5.1 per cent. to RMB183,716 million as compared to 31 December 2019.

Our personal business loans were RMB215,983 million as at 31 December 2018, and increased by RMB129,913 million or 60.1 per cent. to RMB345,896 million as at 31 December 2019, which was mainly due to the rapid growth of online lending products in the inclusive finance areas such as personal e-Mortgage Quick Loan and Quick Lending for Operation. As at 31 December 2020, our personal business loans further increased by RMB175,742 million or 50.8 per cent., which was mainly due to the rapid growth of key lending products in the inclusive finance areas such as Online Revolving Loan and Quick Lending for Operation, as compared to 31 December 2019.

Our credit card overdrafts were RMB626,468 million as at 31 December 2018, and increased by RMB51,465 million or 8.2 per cent. to RMB677,933 million as at 31 December 2019, which was primarily due to the steady growth of credit card instalment balance. As at 31 December 2020, our credit card overdrafts increased by RMB3,677 million or 0.5 per cent. to RMB681,610 million as compared to 31 December 2019.

Distribution of Gross Loans and Advances to Customers by Geographic Area

We classify loans and advances to customers geographically based on the location of the branch that originates the loan. There is generally a high correlation between the location of the borrower and the location of the branch that originates the loan, except in the case of our Head Office. The following table sets forth, as at the dates indicated, the distribution of our total loans to customers by geographic area.

	As at 31 December					
	2018		**2019**		**2020**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in RMB millions, except percentages)					
Head Office	723,302	4.7	774,578	4.6	772,372	4.1
Yangtze River Delta	2,823,603	18.4	3,124,793	18.6	3,582,682	19.2
Pearl River Delta	2,072,857	13.4	2,341,370	14.0	2,746,019	14.8
Bohai Rim	2,524,307	16.4	2,739,585	16.3	3,030,552	16.3
Central China	2,202,221	14.3	2,445,215	14.7	2,789,085	15.0
Western China	2,735,901	17.7	2,991,010	17.8	3,369,916	18.1
Northeastern China	759,140	4.9	798,691	4.8	841,595	4.5
Overseas and others	1,578,574	10.2	1,546,077	9.2	1,492,087	8.0
Gross loans and advances to customers	**15,419,905**	**100.0**	**16,761,319**	**100.0**	**18,624,308**	**100.0**

Our loan business spans the PRC, with each of the Yangtze River Delta, Pearl River Delta, Bohai Rim, Central China and Western China regions representing more than 10 per cent. of our gross loans and advances to customers during the periods under review. The Yangtze River Delta region was our largest loan concentration during the periods under review, representing 18.4 per cent., 18.6 per cent. and 19.2 per cent., respectively, of our gross loans and advances to customers as at 31 December 2018, 2019 and 2020. Our loans in the Yangtze River Delta region were RMB2,823,603 million as at 31 December 2018, and increased by 10.7 per cent. to RMB3,124,793 million as at 31 December 2019. As at 31 December 2020, our loans in the Yangtze River Delta region further increased by 14.7 per cent. to RMB3,582,682 million as compared to 31 December 2019.

As at 31 December 2019, our overseas and other loans were RMB1,546,077 million, decreased by RMB32,497 million or 2.1 per cent. from RMB1,578,574 million as at 31 December 2018. As at 31 December 2020, our overseas and other loans further decreased by RMB53,990 million or 3.5 per cent. to RMB1,492,087 million as compared to 31 December 2019.

Borrower Concentration

As at 31 December 2020, the total amount of loans granted by us to the single largest customer and top ten single customers accounted for 3.5 per cent. and 14.8 per cent. of our net capital, respectively. As at 31 December 2020, the total amount of loans granted to the top ten single customers was RMB501,463 million, accounting for 2.7 per cent. of the total loans. The table below shows the details of the loans granted to our top ten single borrowers as at 31 December 2020.

		As at 31 December 2020	
	Industry	**Amount**	**% of total loans[(1)]**
		(in RMB millions, except percentages)	
Borrower A	Transportation, storage and postal services	117,828	0.6
Borrower B	Transportation, storage and postal services	66,444	0.4
Borrower C	Finance	57,007	0.3
Borrower D	Finance	48,375	0.3
Borrower E	Transportation, storage and postal services	44,656	0.2
Borrower F	Transportation, storage and postal services	39,407	0.2
Borrower G	Finance	37,893	0.2
Borrower H	Production and supply of electricity, heat, gas and water	32,668	0.2
Borrower I	Transportation, storage and postal services	28,646	0.2
Borrower J	Transportation, storage and postal services	28,539	0.1
Total		501,463	2.7

Note:

(1) Represents loan balances as a percentage of our total loans.

Loan Interest Rate Profile

In recent years, as part of the overall reform of the PRC banking system, the PBOC has implemented a series of initiatives to gradually liberalise interest rates and move towards a more market-based interest rate regime. In July 2013, the PBOC removed the lower limit of the floating range of lending interest rates, providing more flexibility to commercial banks in the PRC to determine their own lending interest rates. To manage interest rate risk, we usually set a floating interest rate for loans with a maturity period of more than one year. We generally set a fixed interest rate for loans with a maturity period equal to or less than one year. For personal loans with floating interest rates, we generally adjust our interest rates on the first day of the year that is subsequent to the year in which the benchmark interest rates are adjusted. For corporate loans with floating interest rates, we generally adjust our interest rates on the anniversary of the date upon which the loan agreement was executed.

On 25 October 2013, PBOC introduced a new prime lending rate, officially known as the "loan prime rate" ("**LPR**"), which is based on a weighted average of lending rates from nine commercial banks. For the purposes of deepening the market-oriented reform of interest rate, on 17 August 2019, the PBOC issued the Announcement on the Decision to Reform and Improve the Formation Mechanism of Loan Prime Rate (LPR) (Announcement No. 15 [2019] of the PBOC) *(中國人民銀行公告[2019]第15號—關於中國人民銀行決定改革完善貸款市場報價利率(LPR)形成機制的公告)* (the "**Announcement**"). According to the Announcement, all banks shall take the LPR as the major pricing reference for the newly granted loans and adopt the LPR as the pricing benchmark in the floating-rate loan contracts. Furthermore, the types of LPR quoting banks are expanded to include urban commercial banks, rural commercial banks, foreign-funded banks, and private banks, in addition to the original national banks, and the number of quoting banks is increased from 10 to 18. The list of such banks will be assessed and adjusted on a regular basis.

Asset Quality of Our Loan Portfolio

In determining the classification of our loan portfolio, we assess, on a case-by-case basis, the likelihood of repayment by the borrower and the collectability of principal and interest on the loan. Our assessment is generally based on a series of general principles that are derived from the CBRC and PBOC guidelines. These general principles focus on a number of factors, including (i) the borrower's ability to repay the loan, based on such factors as the borrower's financial condition, its profitability and cash flow; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the level of security provided depending on the type and value of collateral; (v) the prospect for support from any financially responsible guarantor; (vi) the remaining maturity of the loan; (vii) the structure and the seniority of the loan; and (viii) the length of time by which payment of principal or interest on a loan is overdue. The following is a summary of these general principles:

Pass. Loans may be classified as "pass" only if the borrowers are able to honour the terms of their loans and there is no reason to doubt that the principal and interest payments will not be made in full and on a timely basis. Loans in the pass category generally demonstrate one or more of the following characteristics:

- The borrower maintains sound operations and generates adequate cash flows.

- Principal and interest payments on the loan are made on a timely basis.

- The guarantee or collateral securing the loan, if any, is valid, effective and sufficient.

Special mention. Loans may be classified as "special mention" if the borrowers have the current ability to repay principal and interest on the loans but the following adverse circumstances exist:

- The operational and financial status of the borrower has changed.

- The value of collateral has decreased or the operational and financial status of the guarantor has changed.

- Macroeconomic, industry or market conditions have changed.

Substandard. Loans may be classified as "substandard" if the borrowers' inability to repay loans becomes evident to the extent that they are unable to rely solely on their ordinary course of operations to repay principal or interest on the loans and it becomes evident that we will incur certain loan losses even if any collateral or guarantees securing the loans are enforced. Loans in the substandard category generally demonstrate the following characteristics:

- The borrower has difficulty in repaying the loan.

- The loan needs to be restructured due to adverse changes in the borrower's financial condition or its inability to make payments.

Doubtful. Loans may be classified as "doubtful" if the borrowers become unable to repay principal and interest on the loans in full and it becomes evident that we will incur significant loan losses even if any collateral or guarantees securing the loans are enforced. Loans in the doubtful category generally demonstrate the following characteristics:

- The borrower has completely or partially suspended its operations.

- The project for which the loan was extended has been terminated or suspended due to funding shortages, worsening operating conditions, litigation or other reasons.

- The loan is still overdue or the borrower is still unable to repay the loan in full notwithstanding its restructuring.

Loss. Loans may be classified as a "loss" if none or only a small portion of the principal and interest on the loans can be recovered after exhausting all possible measures and legal remedies.

Distribution of Loans by Five-Category Loan Classification System

The following table sets forth, as at the dates indicated, our loans to customers in each category of our five-category loan classification system. Loans classified as Substandard, Doubtful or Loss are considered NPLs.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Pass	14,733,891	95.56	16,066,266	95.86	17,918,430	96.21
Special mention	450,930	2.92	454,866	2.71	411,900	2.21
Subtotal	**15,184,821**	**98.48**	**16,521,132**	**98.57**	**18,330,330**	**98.42**
Substandard	108,821	0.70	97,864	0.58	114,438	0.61
Doubtful	90,383	0.59	113,965	0.68	149,926	0.81
Loss	35,880	0.23	28,358	0.17	29,614	0.16
Subtotal	**235,084**	**1.52**	**240,187**	**1.43**	**293,978**	**1.58**
Gross loans and advances to customers	**15,419,905**	**100.00**	**16,761,319**	**100.00**	**18,624,308**	**100.00**
NPL ratio[(1)]		1.52		1.43		1.58

Note:

(1) Calculated by dividing the balance of NPL by total balance of gross loans and advances to customers.

As at 31 December 2018, 2019 and 2020, the NPL ratios of our total loan portfolio were 1.52 per cent., 1.43 per cent. and 1.58 per cent., respectively. With all kinds of risks under effective control, as at 31 December 2020, the NPL ratio was 1.58 per cent., which was maintained within a stable range and the ratios of both overdue loans and special mention loans fell. 2020 was also the first year that our price scissors between overdue loans and NPLs turned negative. During 2020, our allowance to NPLs was 180.68 per cent., showing a decrease of 18.64 percentage points over the end of 2019.

Distribution of NPLs by Business Line

The following table sets forth, as at the dates indicated, our NPLs by business line.

	As at 31 December								
	2018			2019			2020		
	Amount	% of total	NPL ratio[(1)] (%)	Amount	% of total	NPL ratio[(1)] (%)	Amount	% of total	NPL ratio[(1)] (%)
	(in RMB millions, except percentages)								
Corporate loans	194,696	82.82	2.07	200,722	83.57	2.02	253,815	86.34	2.29
Discounted bills	268	0.11	0.07	623	0.26	0.15	622	0.21	0.15
Personal loans	40,120	17.07	0.71	38,842	16.17	0.61	39,541	13.45	0.56
Total NPLs	**235,084**	**100.00**	**1.52**	**240,187**	**100.00**	**1.43**	**293,978**	**100.00**	**1.58**

Note:

(1) Calculated by dividing the balance of NPL in each category by total balance of gross loans and advances to customers in that category.

As at 31 December 2019, the balance of non-performing corporate loans stood at RMB200,722 million, representing an NPL ratio of 2.02 per cent., an increase of RMB6,026 million or 3.1 per cent. from

RMB194,696 million as at 31 December 2018. As at 31 December 2020, the balance of non-performing corporate loans stood at RMB253,815 million, representing an NPL ratio of 2.29 per cent. and an increase of RMB53,093 million or 26.45 per cent. from RMB200,722 million as at 31 December 2019.

As at 31 December 2019, the balance of non-performing personal loans stood at RMB38,842 million, representing an NPL ratio of 0.61 per cent. and a decrease of RMB1,278 million or 3.2 per cent. from RMB40,120 million as at 31 December 2018. As at 31 December 2020, the balance of non-performing personal loans stood at RMB39,541 million, representing an NPL ratio of 0.56 per cent. and an increase of RMB699 million or 1.8 per cent. from RMB38,842 million as at 31 December 2019.

As at 31 December 2019, the balance of non-performing discounted bills stood at RMB623 million, representing an NPL ratio of 0.15 per cent. and increase of RMB355 million or 132.5 per cent. from RMB268 million as at 31 December 2018. As at 31 December 2020, the balance of non-performing discounted bills decreased by RMB1 million or 0.2 per cent. to RMB622 million as compared to 31 December 2019.

Distribution of NPLs by Geographic Areas

The following table sets forth, as at the dates indicated, the distribution of our NPLs by geographic areas.

	As at 31 December								
	2018			2019			2020		
	Amount	% of total	NPL ratio[1] (%)	Amount	% of total	NPL ratio[1] (%)	Amount	% of total	NPL ratio[1] (%)
	(in RMB millions, except percentages)								
Head Office	20,036	8.52	2.77	20,725	8.63	2.68	21,603	7.35	2.80
Yangtze River Delta	24,195	10.29	0.86	26,024	10.83	0.83	45,304	15.41	1.26
Pearl River Delta	30,480	12.97	1.47	23,629	9.84	1.01	31,540	10.73	1.15
Bohai Rim	54,489	23.18	2.16	49,037	20.42	1.79	71,763	24.41	2.37
Central China	36,401	15.48	1.65	35,638	14.84	1.46	38,584	13.12	1.38
Western China	35,572	15.13	1.30	40,164	16.72	1.34	47,788	16.26	1.42
Northeastern China	25,186	10.72	3.32	35,944	14.97	4.50	28,411	9.66	3.38
Overseas and others	8,725	3.71	0.55	9,026	3.76	0.58	8,985	3.06	0.60
Total NPLs	**235,084**	**100.0**	**1.52**	**240,187**	**100.00**	**1.43**	**293,978**	**100.00**	**1.58**

Note:

(1) Calculated by dividing the balance of NPL from each geographic area by total balance of gross loans and advances to customers in that region.

Comparing to 31 December 2019, as at 31 December 2020, the Central China and Northeastern China regions witnessed decreases in NPL ratios; the head office, Yangtze River Delta, Pearl River Delta, Bohai Rim, Western China and Overseas and others regions witnessed increases in NPL ratios.

Distribution of Non-performing Corporate Loans of Domestic Branches by Industry

The following table sets forth, as at the dates indicated, the distribution of our non-performing corporate loans of domestic branches (excluding discounted bills) by industry.

	As at 31 December								
	2018			2019			2020		
	Amount	% of total	NPL ratio(1) (%)	Amount	% of total	NPL ratio(1) (%)	Amount	% of total	NPL ratio(1) (%)
	(in RMB millions, except percentages)								
Transportation, storage and postal services	15,016	8.0	0.79	17,466	9.1	0.82	20,683	8.4	0.84
Manufacturing	79,790	42.8	5.76	73,976	38.5	5.12	65,361	26.7	4.20
Production and supply of electricity, heat, gas and water	2,113	1.1	0.23	1,900	1.0	0.20	3,977	1.6	0.40
Leasing and commercial services	6,279	3.4	0.60	11,664	6.1	0.98	31,242	12.7	2.17
Water, environment and public utility management	1,718	0.9	0.22	4,122	2.1	0.45	8,425	3.4	0.73
Wholesale and retail	52,588	28.2	10.78	42,492	22.1	10.45	60,272	24.6	13.78
Real estate	9,823	5.3	1.66	10,936	5.7	1.71	16,238	6.6	2.32
Mining	3,966	2.1	2.14	7,305	3.8	4.39	7,593	3.1	4.28
Construction	3,749	2.0	1.61	5,344	2.8	2.12	8,636	3.5	3.31
Science, education, culture and sanitation	1,461	0.8	0.86	3,214	1.7	1.54	5,462	2.2	2.23
Lodging and catering	4,951	2.7	5.18	7,163	3.7	8.10	11,743	4.8	14.00
Others	4,962	2.7	2.60	6,511	3.4	3.43	5,495	2.2	2.22
Total non-performing corporate loans	**186,416**	**100.0**	**2.34**	**192,093**	**100.0**	**2.24**	**245,127**	**100.0**	**2.51**

Note:

(1) Calculated by dividing the balance of NPL from each category by the total balance of gross loans and advances to customers in that category.

The NPL ratio of our loans in the manufacturing sector amounted to 5.76 per cent. as at 31 December 2018 and decreased to 5.12 per cent. as at 31 December 2019, and further decreased to 4.20 per cent. as at 31 December 2020.

The NPL ratio of our loans in the wholesale and retail sector amounted to 10.78 per cent. as at 31 December 2018 and decreased slightly to 10.45 per cent. as at 31 December 2019. As at 31 December 2020, the NPL ratio of our loans in the wholesale and retail sector increased to 13.78 per cent.

The NPL ratio of our loans in the transportation, storage and postal services sector amounted to 0.79 per cent. as at 31 December 2018 and increased to 0.82 per cent. as at 31 December 2019 and further increased to 0.84 per cent. as at 31 December 2020.

The NPL ratio of our loans in the real estate sector amounted to 1.66 per cent. as at 31 December 2018 and increased to 1.71 per cent. as at 31 December 2019 and further increased to 2.32 per cent. as at 31 December 2020.

Loan Ageing Schedule

The following table sets forth, as at the dates indicated, our loan ageing schedule for our gross loans and advances to customers.

	As at 31 December					
	2018		2019		2020	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in RMB millions, except percentages)					
Current loans	15,149,973	98.25	16,493,103	98.40	18,356,801	98.56
Loans past due [(1)] for:						
Less than 3 months	91,153	0.59	83,084	0.50	98,963	0.54
3 months to 1 year	83,846	0.54	89,625	0.53	74,820	0.40
1 to 3 years	63,010	0.41	66,848	0.40	72,467	0.39
Over 3 years	31,923	0.21	28,659	0.17	21,257	0.11
Subtotal	269,932	1.75	268,216	1.60	267,507	1.44
Gross loans and advances to customers	15,419,905	100.00	16,761,319	100.00	18,624,308	100.00

Note:

(1) Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by instalments, the total amount of loans is deemed overdue if part of the instalments is overdue.

The proportion of our loans and advances to customers that were deemed overdue was 1.75 per cent. as at 31 December 2018. As at 31 December 2019, the proportion of our loans and advances to customers that decreased to 1.60 per cent. and the proportion of our loans and advances to customers decreased to 1.44 per cent as at 31 December 2020.

Allowance for Impairment Losses on Loans and Advances to Customers

For the year ended 31 December 2017, we assessed our loans and advances to customers for impairment, determine the level of allowance for impairment losses and recognise any related provisions made in a period based on the guidelines for impairment under IAS 39. Our loans and advances to customers were reported net of the allowance for impairment losses on our consolidated statement of financial position. With respect to corporate loans, where there was objective evidence of possible impairment as a result of events occurring after the initial recognition of loans that may affect the estimated future cash flows of the loans, we performed assessments on such loans to determine the allowance for impairment losses. The allowance for impairment losses of each of the loans was measured as the difference between the carrying value and the estimated recoverable amounts of the loans. The estimated recoverable amounts represent the present value of the estimated future cash flows of the loans, including, among others, the recoverable value of the collateral. Corporate and personal loans classified as pass and special mention, for which no evidence of impairment had been identified, were assessed collectively for the purpose of determining the allowance for impairment losses. The allowance for impairment losses of collectively assessed loans was determined primarily based on our historical loss experience in similar portfolios and the prevailing economic conditions.

From 1 January 2018, we adopted IFRS 9 which introduced new requirements for measurement of impairment for financial assets. The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss ("**ECL**")" model. Under the ECL model, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Instead, we are required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances which results in an early recognition of credit losses. For the year ended 31 December 2018, except for credit-impaired corporate loans and advances to customers, we continued to measure our ECL based on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. For the impairment loss on credit-impaired corporate loans and advances to customers, we applied the cash flow discount method. The amount of the impairment loss on credit-impaired corporate loans and advances is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and the allowance for impairment loss is deducted in the carrying amount.

For a description of our methods in calculating the estimated recoverable amount of loans, see Notes 3(6) and 51(a) to our audited consolidated financial statements as at and for the year ended 31 December 2019, incorporated by reference in this Offering Circular.

Changes to the Allowance for Impairment Losses

The following table sets forth the changes to our allowance for impairment losses on loans and advances to customers measured at amortised cost for the year ended 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
		(in RMB millions)		
As at 1 January 2020	**215,316**	**78,494**	**184,688**	**478,498**
Transfer:				
To stage 1:	24,002	(22,507)	(1,495)	–
To stage 2:	(6,913)	9,311	(2,398)	–
To stage 3:	(4,838)	(53,754)	58,592	–
Charge/(reverse)	(2,984)	78,244	95,941	171,201
Write-offs and transfer out	–	(7)	(120,317)	(120,324)
Recoveries of loans and advances previously written off	–	–	4,977	4,977
Other movements	(880)	(630)	(2,542)	(4,052)
As at 31 December 2020	**223,703**	**89,151**	**217,446**	**530,300**

The following table sets forth the changes to our allowance for impairment losses on loans and advances to customers measured at amortised cost for the year ended 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
		(in RMB millions)		
As at 1 January 2019	158,084	81,406	173,241	412,731
Transfer:				
To stage 1:	17,451	(14,987)	(2,464)	–
To stage 2:	(6,868)	12,775	(5,907)	–
To stage 3:	(959)	(28,755)	29,714	–
Charge	47,364	28,014	86,944	162,322
Write-offs and transfer out	–	(91)	(97,562)	(97,653)
Recoveries of loans and advances previously written off	–	–	3,302	3,302
Other movements	244	132	(2,580)	(2,204)
As at 31 December 2019	215,316	78,494	184,688	478,498

The following table sets forth the changes to our allowance for impairment losses on loans and advances to customers measured at amortised cost for the year ended 31 December 2018:

	Stage 1	Stage 2	Stage 3	Total
		(in RMB millions)		
As at 1 January 2018	107,961	111,867	152,770	372,598
Transfer:				
To stage 1:	19,393	(17,976)	(1,417)	–
To stage 2:	(4,901)	5,493	(592)	–
To stage 3:	(2,869)	(40,413)	43,282	–
Charge	38,217	24,083	85,074	147,374
Write-offs and transfer out	(338)	(2,294)	(106,146)	(108,778)
Recoveries of loans and advances previously written off	–	–	2,141	2,141
Other movements	621	646	(1,871)	(604)
As at 31 December 2018	158,084	81,406	173,241	412,731

Our allowance for impairment losses on loans as at 31 December 2019 amounted to RMB478,730 million, representing an increase of RMB65,553 million, or 15.9 per cent. From RMB413,177 million as at 31 December 2018. As at 31 December 2020, our allowance for impairment losses on loans amounted to RMB531,161 million, representing an increase of RMB52,431 million or 11.0 per cent. As compared to 31 December 2019.

Investment

Our investment portfolio consists of listed and unlisted Renminbi-denominated and foreign currency-denominated securities and other financial assets. Investment represented 24.4 per cent., 25.4 per cent. and 25.8 per cent., respectively, of our total assets as at 31 December 2018, 2019 and 2020.

As at 31 December 2020, our financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost amounted to RMB784,483 million, RMB1,540,988 million and RMB6,265,668 million, respectively.

Our investment portfolio increased by 13.2 per cent. from RMB6,754,692 million as at 31 December 2018 to RMB7,647,117 million as at 31 December 2019, and further increased by 12.3 per cent. to RMB8,591,139 million as at 31 December 2020.

Distribution of Our Investment by Investment Category

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

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Bonds	6,049,076	89.6	6,862,850	89.7	8,054,193	93.8
Equity instruments	57,909	0.9	135,882	1.8	175,698	2.0
Funds and others[1]	563,346	8.3	558,366	7.3	262,800	3.1
Accrued interest	84,361	1.2	90,019	1.2	98,448	1.1
Total investment	**6,754,692**	**100.0**	**7,647,117**	**100.0**	**8,591,139**	**100.0**

Note:

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

Debt Instruments

Our debt instruments consist of debt securities issued primarily by governments, central banks, policy banks and other institutions.

The following table sets forth, as at the dates indicated, the distribution of our investment in bonds by issuer type.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Government bonds	4,040,956	66.9	4,767,297	69.5	5,737,368	71.2
Central bank bills	32,746	0.5	21,979	0.3	32,072	0.4
Policy bank bonds	774,732	12.8	652,522	9.5	725,625	9.0
Other bonds	1,200,642	19.8	1,421,052	20.7	1,559,128	19.4
Total investment in bonds	**6,049,076**	**100.0**	**6,862,850**	**100.0**	**8,054,193**	**100.0**

Our investment in bonds increased by 13.5 per cent. from RMB6,049,076 million as at 31 December 2018 to RMB6,862,850 million as at 31 December 2019. As at 31 December 2020, our investment in bonds further increased by 17.4 per cent. to RMB8,054,193 million as compared to 31 December 2019. In 2020, we proactively supported the development of the real economy and increased our investments in local government bonds, especially the anti-epidemic government bonds and other bonds.

Distribution of investment in bonds by remaining maturity

The following table sets forth, as at the dates indicated, the distribution of our investment in bonds by remaining maturity.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Undated[(1)]	54	0.0	10	0.0	35	0.0
Less than 3 months	255,716	4.2	335,735	4.9	495,137	6.1
3 to 12 months	660,914	10.9	1,007,366	14.7	978,923	12.2
1 to 5 years	3,319,674	54.9	3,267,720	47.6	3,493,342	43.4
Over 5 years	1,812,718	30.0	2,252,019	32.8	3,086,756	38.3
Total investment in bonds	**6,049,076**	**100.0**	**6,862,850**	**100.0**	**8,054,193**	**100.0**

Note:

(1) Refers to overdue bonds.

As at 31 December 2019, bonds that have less than 3 months in remaining maturity and have 3 to 12 months in maturity increased by RMB426,471 million from 31 December 2018, representing an increase of 46.53 per cent. as compared to the year ended 31 December 2018, and bonds beyond 5-year maturity grew by RMB439,301 million or 24.23 per cent. year-on-year. As at 31 December 2020, bonds that have less than 3 months in remaining maturity and have 3 to 12 months in maturity increased by RMB130,959 million from 31 December 2019, representing an increase of 9.75 per cent. as compared to the year ended 31 December 2019, and bonds beyond 5-year maturity grew by RMB834,737 million or 37.07 per cent. as compared to the year ended 31 December 2019.

Distribution of investment in bonds by currency

The following table sets forth, as at the dates indicated, the distribution of our investment in bonds by currency.

	As at 31 December					
	2018		2019		2020	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in RMB millions, except percentages)					
RMB-denominated bonds	5,547,079	91.7	6,221,395	90.7	7,388,349	91.8
U.S. dollar-denominated bonds	356,034	5.9	439,219	6.4	436,381	5.4
Other foreign currency bonds	145,963	2.4	202,236	2.9	229,463	2.8
Total investment in bonds	6,049,076	100.0	6,862,850	100.0	8,054,193	100.0

As at 31 December 2019, our RMB-denominated bonds increased by RMB674,316 million, or 12.2 per cent., U.S. dollar-denominated bonds and other foreign currency bonds increased by an equivalent of RMB83,185 million or 23.4 per cent. and RMB56,273 million or 38.6 per cent., respectively, as compared to 31 December 2018.

As at 31 December 2020, our RMB-denominated bonds increased by RMB1,166,954 million, or 18.8 per cent., USD-denominated bonds decreased by an equivalent of RMB2,838 million or 0.6 per cent. and other foreign currency bonds increased by an equivalent of RMB27,227 million or 13.5 per cent., respectively, as compared to 31 December 2019. In 2020, we improved the investment portfolio structure of foreign currency bonds and moderately increased the investment in bonds denominated in other currencies.

Investment in bonds related to restructuring

During the period from 1999 to 2001, we disposed of non-performing assets with a book value of RMB407.7 billion to Huarong and received 10-year non-transferrable bonds issued by Huarong with a nominal value of RMB313.0 billion as well as RMB94.7 billion in cash as consideration. Huarong is a wholly state-owned non-bank financial institution that has been approved by the State Council and was established in October 1999 primarily to acquire and manage non-performing assets from large commercial banks, including us. The Huarong Bonds have a fixed interest rate of 2.25 per cent. per annum.

During the period from 2010 to 2011, the Huarong Bonds held by us matured. In accordance with the "Letter from MOF in Respect of the Bonds Issued by Huarong held by Industrial and Commercial Bank of China" (Cai Jin Han [2010] No. 105), the MOF agreed that the term of the Huarong Bonds held by us would be extended for 10 years after their expiration, the terms of the bonds such as the interest rate would remain unchanged and the MOF would continue its support for the principal and interest payments in relation to the Huarong Bonds held by us. After the first extension expired, we received a further notice from MOF that the term of the Huarong Bonds would be extended for another 10 years to 12 December 2031. In 2020, we received a further notice from the MOF to adjust the interest rate of the Huarong Bonds, which will be determined on a yearly basis with reference to the average level of five-year government bond yields in the previous year. As at 31 December 2020, we received accumulated early repayments of RMB222,687 million under the Huarong Bonds.

Equity Investments

As at 31 December 2018, 2019 and 2020, our equity investments amounted to RMB57,909 million, RMB135,882 million and RMB175,698 million, respectively.

Other Components of Our Assets

Other components of our assets primarily consist of (i) cash and balances with central banks, (ii) due from banks and other financial institutions, net and (iii) reverse repurchase agreements.

Cash and balances with central banks primarily consist of cash on hand, mandatory reserve deposits, which consist of statutory reserve deposits with the PBOC, surplus reserve deposits and other restricted deposits. As at 31 December 2019, our cash and balances with central banks decreased to RMB3,317,916 million from RMB3,372,576 million as at 31 December 2018. As at 31 December 2020, our cash and balances with central banks increased to RMB3,537,795 million.

Due from banks and other financial institutions consists primarily of Renminbi-denominated and foreign currency-denominated inter-bank deposits and money-market placements with banks and other financial institutions. As at 31 December 2019, our due from banks and other financial institutions increased by 8.3 per cent. to RMB1,042,368 million as compared to 31 December 2018. As at 31 December 2020, our due from banks and other financial institutions further increased by 3.8 per cent. to RMB1,081,897 million.

Amounts due under reverse repurchase agreements are purchases of assets under agreements to resell equivalent assets. Our financial assets held under reverse repurchase agreements increased from RMB734,049 million as at 31 December 2018 by 15.1 per cent. to RMB845,186 million as at 31 December 2019. As at 31 December 2020, our amounts due under reverse repurchase agreements decreased by 12.5 per cent. to RMB739,288 million as compared to 31 December 2019.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities as at 31 December 2018, 2019 2020 amounted to RMB25,354,657 million, RMB27,417,433 million and RMB30,435,543 million, respectively. Our liabilities comprise primarily (i) due to customers, (ii) due to banks and other financial institutions, (iii) repurchase agreements, (iv) debt securities issued and (v) other liabilities.

The following table sets forth, as at the dates indicated, the components of our total liabilities.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Due to customers	21,408,934	84.4	22,977,655	83.8	25,134,726	82.6
Due to banks and other financial institutions	1,814,495	7.2	2,266,573	8.3	2,784,259	9.1
Repurchase agreements	514,801	2.0	263,273	1.0	293,434	1.0
Debt securities issued	617,842	2.4	742,875	2.7	798,127	2.6
Others(1)	998,585	4.0	1,167,057	4.2	1,424,997	4.7
Total liabilities	**25,354,657**	**100.0**	**27,417,433**	**100.0**	**30,435,543**	**100.0**

Note:

(1) Others primarily consist of financial liabilities designated at fair value through profit or loss, other liabilities, income tax payable, certificates of deposit, derivative financial liabilities, due to central banks and deferred income tax liabilities.

Our total liabilities increased by 8.1 per cent. From RMB25,354,657 million as at 31 December 2018 to RMB27,417,433 million as at 31 December 2019 and further increased by 11.0 per cent. To RMB30,435,543 million as at 31 December 2020.

Due to customers is our primary source of funding and represented 84.4 per cent., 83.8 per cent. and 82.6 per cent. of our total liabilities as at 31 December 2018, 2019 and 2020, respectively.

Due to Customers

We provide demand and time deposit products to corporate and personal customers. The following table sets forth, as at the dates indicated, our deposits from customers by business line and maturity term.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Demand deposits						
Corporate customers	6,405,136	29.9	6,732,558	29.3	7,455,160	29.7
Personal customers	3,931,182	18.4	4,328,090	18.8	5,196,607	20.7
Subtotal	10,336,318	48.3	11,060,648	48.1	12,651,767	50.3
Time deposits						
Corporate customers	5,076,005	23.7	5,295,704	23.0	5,489,700	21.8
Personal customers	5,505,236	25.7	6,149,654	26.8	6,463,929	25.7
Subtotal	10,581,241	49.4	11,445,358	49.8	11,953,629	47.6
Other deposits[(1)]	268,914	1.3	234,852	1.0	261,389	1.0
Accrued interest	222,461	1.0	236,797	1.1	267,941	1.1
Total due to customers	21,408,934	100.0	22,977,655	100.0	25,134,726	100.0

Note:

(1) Includes outward remittance and remittance payables.

As at 31 December 2019, the balance due to customers was RMB22,977,655 million, representing an increase of RMB1,568,721 million or 7.3 per cent. from the end of 2018. As at 31 December 2020, the balance due to customers further increased by 9.4 per cent. or RMB2,157,071 from the end of 2019.

In terms of customer structure, as at 31 December 2019, the balance of corporate deposits increased by RMB547,121 million, or 4.8 per cent., as at 31 December 2019, and further increased by RMB916,598 million or 7.6 per cent., as at 31 December 2020. As at 31 December 2019, the balance of personal deposits increased by RMB1,041,326 million, or 11.0 per cent., and further increased RMB1,182,792 million or 11.3 per cent., as at 31 December 2020.

In terms of maturity structure, as at 31 December 2019, the balance of time deposits further increased by RMB864,117 million, or 8.2 per cent., and further increased by RMB508,271 million or 4.4 per cent., as at 31 December 2020. As at 31 December 2019, the balance of demand deposits increased by RMB724,330 million, or 7.0 per cent., and further increased by RMB1,591,119 million or 14.4 per cent., as at 31 December 2020.

The proportion of corporate deposits over total due to customers decreased from 53.6 per cent. as at 31 December 2018 to 52.3 per cent. as at 31 December 2019 and further decreased to 51.5 per cent. as at 31 December 2020.

The proportion of demand deposits over total due to customers slightly decreased from 48.3 per cent. as at 31 December 2018 to 48.1 per cent. as at 31 December 2019 and increased to 50.3 per cent. as 31 December 2020.

Distribution of Due to Customers by Geographic Area

We classify deposits geographically based on the location of the branch taking the deposit. There is generally a high correlation between the location of the depositor and the location of the branch taking the deposit. The following table sets forth our due to customers by geographic area as at the dates indicated.

	As at 31 December					
	2018		2019			2020
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Head Office	56,304	0.3	45,507	0.2	42,611	0.2
Yangtze River Delta	4,032,866	18.8	4,474,455	19.5	5,057,963	20.0
Pearl River Delta	2,726,705	12.7	2,988,476	13.0	3,335,179	13.3
Bohai Rim	5,922,781	27.7	6,212,525	27.0	6,733,969	26.8
Central China	3,064,753	14.3	3,324,189	14.5	3,608,490	14.4
Western China	3,591,835	16.8	3,801,033	16.5	4,072,459	16.2
Northeastern China	1,105,344	5.2	1,184,289	5.2	1,308,155	5.2
Overseas and others	908,346	4.2	947,181	4.1	975,900	3.9
Total due to customers	21,408,934	100.0	22,977,655	100.0	25,134,726	100.0

Distribution of Due to Customers by Remaining Maturity

The following table sets forth, as at the dates indicated, the distribution of our due to customers by remaining maturity.

	As at 31 December					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in RMB millions, except percentages)					
Demand deposits(1)	11,578,642	54.1	12,461,763	54.2	13,499,762	53.7
Less than 3 months	2,256,966	10.5	2,644,954	11.5	2,569,941	10.2
3 to 12 months	4,978,718	23.2	4,725,038	20.6	3,849,682	15.3
1 to 5 years	2,582,550	12.1	3,121,105	13.6	5,194,433	20.7
Over 5 years	12,058	0.1	24,795	0.1	20,908	0.1
Total due to customers	21,408,934	100.0	22,977,655	100.0	25,134,726	100.0

Note:

(1) Includes time deposits payable on demand.

Other Components of Our Liabilities

Other components of our liabilities primarily include (i) due to banks and other financial institutions, (ii) repurchase agreements and (iii) debt securities issued. Amounts due to banks and other financial institutions refer to deposits by banks and other financial institutions. As at 31 December 2019, our amounts due to banks and other financial institutions increased by 24.9 per cent. to RMB2,266,573 million from RMB1,814,495 million as at 31 December 2018. As at 31 December 2020, our amounts due to banks and other financial institutions further increased by 22.8 per cent. to RMB2,784,259 million.

Amounts due on repurchase agreements consist primarily of sales of assets under agreements to repurchase equivalent assets. As at 31 December 2019, amounts due on repurchase agreements decreased by 48.9 per cent. To RMB263,273 million from the end of 2018, which was mainly because we appropriately adjusted the size of funds raised based on our internal and external liquidity status. As at 31 December 2020, amounts due on repurchase agreements increased by 11.5 per cent. To RMB293,434 million.

Debt securities issued consists of subordinated bonds and other debt securities. As at 31 December 2019, debt securities issued increased by 20.2 per cent. to RMB742,875 million from RMB617,842 million as at 31 December 2018. As at 31 December 2020, debt securities issued further increased by 7.4 per cent. to RMB798,127 million.

CAPITAL POSITION OF THE BANK

FUNDING AND CAPITAL ADEQUACY

FUNDING

The funding operations of the Bank are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. Although customer deposits have always been its main source of funding, the Bank aims to maintain a diversified funding base. Its funding is primarily derived from deposits placed with the Bank by its corporate and personal customers. The Bank also derives funding from shareholders' equity, debt instrument issuance and inter-bank borrowings. The Bank raises foreign currency from customers' foreign currency deposits and occasionally from debt instruments and from borrowings with counterparties.

The following table gives a breakdown of the Bank's customer deposits (on a consolidated basis) by remaining maturity for the periods indicated:

	As at 31 December					
	2018		2019		2020	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in RMB millions, except percentages)					
Overdue/repayable on demand	11,578,642	54.1	12,461,763	54.2	13,499,762	53.7
Less than 1 month	919,716	4.3	1,063,032	4.6	1,233,220	4.9
1 to 3 months	1,337,250	6.2	1,581,922	6.9	1,336,721	5.3
3 months to 1 year	4,978,718	23.2	4,725,038	20.6	3,849,682	15.3
1 to 5 years	2,582,550	12.1	3,121,105	13.6	5,194,433	20.7
More than 5 years	12,058	0.1	24,795	0.1	20,908	0.1
Total	21,408,934	100.0	22,977,655	100.0	25,134,726	100.0

CAPITAL ADEQUACY

The following table sets forth our core capital and additional capital and capital adequacy ratios calculated in accordance with the applicable guidelines of the CBIRC.

	As at 31 December					
	2018		2019		2020	
	Group	**Parent Company**	**Group**	**Parent Company**	**Group**	**Parent Company**
	(in RMB millions, except percentages)					
Item						
Calculated in accordance with the Capital Management Rules:						
Net Core Tier 1 Capital	2,232,033	2,040,396	2,457,274	2,222,316	2,653,002	2,404,030
Net Tier 1 Capital	2,312,143	2,102,348	2,657,523	2,403,000	2,872,792	2,605,594
Net Capital Base	2,644,885	2,419,120	3,121,479	2,852,663	3,396,186	3,114,878
Core Tier 1 Capital Adequacy Ratio	12.98	13.23	13.20	13.29	13.18	13.14
Tier 1 Capital Adequacy Ratio	13.45	13.63	14.27	14.37	14.28	14.24
Capital Adequacy Ratio	15.39	15.68	16.77	17.06	16.88	17.02

As at 31 December 2020, the Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio (in each case, for the Group) calculated by us in accordance with the Capital Management Rules stood at 13.18 per cent., 14.28 per cent. and 16.88 per cent., respectively, all complying with regulatory requirements.

In 2020, we further deepened the capital management reform, strengthened capital saving and optimisation, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency In 2020, on the basis of capital replenishment by retained profits, we proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments to reinforce the capital strength, optimise capital structure and control the cost of capital rationally.

The following tables set forth information relating to the Group's capital adequacy as at 31 December 2018, 2019 and 2020, calculated in accordance with the Capital Management Rules.

	As at 31 December		
	2018	**2019**	**2020**
	(in RMB millions, except percentages)		
Core Tier 1 Capital	2,247,021	2,472,774	2,669,055
Paid-in capital	356,407	356,407	356,407
Valid portion of capital reserve	151,968	149,067	148,534
Surplus reserve	261,636	292,149	322,692
General reserve	278,980	304,876	339,486
Retained profits	1,205,924	1,367,180	1,508,562
Valid portion of minority interests	3,752	4,178	3,552
Others	(11,646)	(1,083)	(10,178)
Core Tier 1 Capital deductions	14,988	15,500	16,053
Goodwill	8,820	9,038	8,107
Other intangible assets other than land use rights	1,927	2,933	4,582
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,739)	(4,451)	(4,616)
Investment in Core Tier 1 Capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	7,980
Net Core Tier 1 Capital	2,232,033	2,457,274	2,653,002
Additional Tier 1 Capital	80,110	200,249	219,790
Additional Tier 1 Capital instruments and related premium	79,375	199,456	219,143
Valid portion of monitoring interests	735	793	647
Net Tier 1 Capital	2,312,143	2,657,523	2,872,792
Tier 2 Capital	332,742	463,956	523,394
Valid portion of Tier 2 Capital instruments and related premium	202,761	272,680	351,568
Surplus provision for loan impairment	127,990	189,569	170,712
Valid portion of minority interests	1,991	1,707	1,114
Net capital base	2,644,885	3,121,479	3,396,186
Risk-weighted assets[(1)]	17,190,992	18,616,886	20,124,139
Core Tier 1 Capital Adequacy Ratio (%)	12.98	13.20	13.18
Tier 1 Capital Adequacy Ratio (%)	13.45	14.27	14.28
Capital Adequacy Ratio (%)	15.39	16.77	16.88

Note:

(1) Refers to risk-weighted assets after capital floor and adjustments.

As at the date of this Offering Circular, we are subject an additional G-SIB buffer requirement of 1.5 per cent.

As at 31 December 2020, the Bank's (Group) core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 13.18 per cent., 14.28 per cent. and 16.88 per cent., respectively, which are above the minimum requirement with safety margins. Accordingly, we have no need to raise more capital to qualify as a G-SIB.

Capital Financing Management

We actively carried out external capital replenishment and promoted the issuance of new capital instruments on the basis of achieving replenishment by retained profits. According to its capital planning and capital replenishment plan, in July 2019, we innovatively and publicly issued the undated Additional Tier 1 capital bonds of RMB80.0 billion with an interest of 4.45 per cent. in China's national interbank bond market. We made a non-public issuance of RMB700 million domestic preference shares in September 2019 with an initial interest of 4.2 per cent. and raised a total of RMB70.0 billion in funds. In terms of tier 2 capital, we issued in a total of RMB110 billion of tier 2 capital bonds in China's national interbank bond market. In November 2017, we issued Tier 2 capital bonds in China's national interbank bond market, giving a total issue size of RMB88.0 billion. All funds raised were used to replenish our additional Tier 1 and Tier 2 capital as per applicable laws and the approval of the regulator. On 23 September 2020, we issued U.S.$2,900,000,000 3.58 per cent. Non-cumulative Perpetual Offshore preference shares. On 25 September 2020, we issued RMB60,000,000,000 4.20 per cent. 2020 tier-2 capital bonds (first tranche) due 2030. On 16 November 2020, we issued RMB40,000,000,000 2020 tier-2 capital bonds (second tranche), consisting of RMB30,000,000,000 4.15 per cent. fixed rate bonds due 2030 and RMB10,000,000,000 4.45 per cent. bonds due 2035. On 21 January 2021, we issued RMB30,000,000,000 4.15 per cent. 2021 present tier-2 capital bonds due 2031, in China's national interbank bond market. On 4 June 2021, we issued RMB70 billion undated additional tier 1 capital bonds in the National Interbank Bond Market.

Allocation and Management of Economic Capital

Our economic capital management includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

In recent years, we further strengthened our economic capital management in terms of measurement, allocation and assessment, improved our economic capital measurement policy and optimised our economic capital measurement standards and system. We strictly implemented the measures for quota management, continuously boosted the refined management of economic capital and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, we upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of our credit structure. We strengthened training on economic capital management for institutions at all levels and vigorously pushed forward operational management and business front-line application of economic capital.

LIABILITIES

Our total liabilities as at 31 December 2018, 2019 and 2020 amounted to RMB25,354,657 million, RMB27,417,433 million and RMB30,435,543 million, respectively. For a detailed description of our latest liabilities, see Notes 30 to 36 to our audited consolidated financial statements of the Group as at and for the year ended 31 December 2020, incorporated by reference in this Offering Circular.

PRINCIPAL SHAREHOLDERS

As at 30 June 2021, the total number of the Bank's Shareholders (number of holders of A Shares and H Shares on the register of shareholders as at 30 June 2021) was 691,002, of which there were 114,805 H Shareholders and 576,197 A Shareholders.

The table below sets out the particulars of the Bank's top 10 Shareholders as at 30 June 2021.

Name of shareholder	Nature of shareholder	Class of shares	Share-holding percentage (%)	Total number of shares held	Number of pledged, marked or locked-up shares	Increase/ decrease of shares during the reporting period
Central Huijin Investment Ltd.	State-owned	A Share	34.71	123,717,852,951	None	–
MOF	State-owned	A Share	31.14	110,984,806,678	None	–
HKSCC Nominees Limited(3)	Foreign legal person	H Share	24.18	86,168,673,088	Unknown	1,071,457
National Council for Social Security Fund(4)	State-owned	A Share	3.46	12,331,645,186	None	–
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	–
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,540	None	-24
Hong Kong Securities Clearing Company Limited(5)	Foreign legal person	A Share	0.36	1,276,453,015	None	90,332,762
Central Huijin Asset Management Co., Ltd.(5)	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.13	468,222,788	None	-2,126,500
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance products — 022L — CT001 Hu	Other entities	A Share	0.11	387,807,151	None	–

Notes:

(1) The above data are based on the Bank's register of shareholders as at 30 June 2021.

(2) The Bank had no shares subject to restrictions on sales.

(3) Total number of shares held by HKSCC Nominees Limited refers to the total H shares held by it as a nominee on behalf of all institutional and individual investors registered with accounts opened with HKSCC Nominees Limited as at 30 June 2021, which included H shares of the Bank held by National Council for Social Security Fund, Ping An Asset Management Co., Ltd., Temasek Holdings (Private) Limited and China Life Insurance (Group) Company.

(4) According to the Notice on Comprehensively Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49), MOF transferred 12,331,645,186 A shares to the state-owned capital transfer account of National Council for Social Security Fund in a lump sum in December 2019. According to the relevant requirements under the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), National Council for Social Security Fund shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares. At the end of the reporting period, according to the information provided by National Council for Social Security Fund to the Bank, National Council for Social Security Fund also held 7,946,049,758 H shares of the Bank and 20,277,694,944 A and H shares in aggregate, accounting for 5.69% of the Bank's total ordinary shares.

(5) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

Particulars of Controlling Shareholders

The Bank's largest single shareholder of is Huijin. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing. Its unified social credit code is 911000007109329615 and its legal representative is Peng Chun. Huijin is a wholly-owned subsidiary of China Investment Corporation. It, in accordance with authorisation by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls. As at 31 December 2020, Huijin held approximately 34.71 per cent. of our Ordinary Shares.

The Bank's second single largest shareholder is MOF, which held approximately 31.14 per cent. shares of the Bank as at 31 December 2020. MOF is a department under the State Council and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the financial and taxation policies and supervising State finance at a macro level.

DIRECTORS, MANAGEMENT AND SUPERVISORS

The table below sets forth the particulars of the Bank's directors, supervisors and senior management as at the date of this Offering Circular:

Name	Position	Gender	Birth year
Chen Siqing	Chairman, Executive Director	Male	1960
Liao Lin	Vice Chairman, Executive Director and President	Male	1966
Wang Jingwu	Senior Executive Vice President, Executive Director	Male	1966
Lu Yongzhen	Non-executive Director	Male	1967
Zheng Fuqing	Non-executive Director	Male	1963
Feng Weidong	Non-executive Director	Male	1964
Cao Liqun	Non-executive Director	Female	1971
Chen Yifang(1)	Non-executive Director	Female	1964
Anthony Francis Neoh	Independent Non-executive Director	Male	1946
Yang Siu Shun	Independent Non-executive Director	Male	1955
Shen Si	Independent Non-executive Director	Male	1953
Nout Wellink	Independent Non-executive Director	Male	1943
Fred Zuliu Hu	Independent Non-executive Director	Male	1963
Huang Liangbo	Chairman of the Board of Supervisors and Shareholder Supervisor	Male	1964
Zhang Wei	Shareholder Supervisor	Male	1962
Huang Li	Employee Supervisor	Male	1964
Wu Xiangjiang	Employee Supervisor	Male	1962
Qu Qiang	External Supervisor	Male	1966
Shen Bingxi	External Supervisor	Male	1952
Zhang Wenwu	Senior Executive Vice President	Male	1973
Xu Shouben	Senior Executive Vice President	Male	1969
Zhang Weiwu	Senior Executive Vice President	Male	1975
Wang Bairong	Chief Business Officer	Male	1962
Guan Xueqing	Board Secretary	Male	1963
Xiong Yan	Chief Business Officer	Female	1964
Song Jianhua	Chief Business Officer	Male	1965

Notes:

(1) The appointment of Ms. Chen Yifang as Non-executive Director of the Bank is subject to the consideration and approval at the general meeting of shareholders of the Bank and is subject to the approval of CBIRC.

The meeting of the board of directors of the Bank held on 27 August 2021 considered and approved the proposal on the nomination of Mr. Dong Yang as candidate of non-executive director of the Bank. The appointment of Mr. Dong Yang as Non-executive Director of the Bank is subject to the consideration and approval at the general meeting of shareholders of the Bank and is subject to the approval of CBIRC.

The meeting of the board of supervisors of the Bank held on 27 August 2021 considered and approved the proposal on the nomination of Mr. Zhang Jie as candidate of external supervisor of the Bank. The appointment of Mr. Zhang Jie as External Supervisor of the Bank is subject to the consideration and approval at the general meeting of shareholders of the Bank.

The business address of each of the directors, supervisors and senior management is No.55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC 100140.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chen Siqing, Chairman, Executive Director

Mr. Chen has served as Chairman and Executive Director of the Bank since May 2019. He joined Bank of China in 1990. Mr. Chen Siqing previously worked in the Hunan Branch of Bank of China before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Mr. Chen held various positions in Bank of China, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office, General Manager of the Guangdong Branch, Executive Vice President, President, Vice Chairman and Chairman of Bank of China. Mr. Chen served concurrently as Chairman of the Board of Directors of BOC Aviation Limited, Non-executive Director, Vice Chairman and Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited. Mr. Chen graduated from Hubei Institute of Finance and Economics and obtained a Master's degree in Business Administration (MBA) from Murdoch University, Australia in 1999. He is a Certified Public Accountant and a senior economist.

Liao Lin, Vice Chairman, Executive Director and President

Mr. Liao has served as Vice Chairman, Executive Director and President of the Bank since March 2021, Executive Director of the Bank since July 2020, and Senior Executive Vice President, Senior Executive Vice President and concurrently Chief Risk Officer since November 2019. Mr. Liao joined China Construction Bank in 1989, and was appointed as Deputy General Manager of Guangxi Branch of China Construction Bank, General Manager of Ningxia Branch, Hubei Branch and Beijing Branch of China Construction Bank, Chief Risk Officer, Executive Vice President and concurrently Chief Risk Officer of China Construction Bank. Mr. Liao graduated from Guangxi Agricultural University. He obtained a Doctorate degree in management science from Southwest Jiaotong University. Mr. Liao is a senior economist.

Wang Jingwu, Senior Executive Vice President, Executive Director

Mr. Wang joined PBOC in August 1985. He was appointed as Supervision Commissioner (Deputy Director level) of the PBOC Shijiazhuang Central Sub-branch in January 2002, Head of the PBOC Shijiazhuang Central Sub-branch and concurrently Director of the SAFE Hebei Branch in September 2003, Head of the PBOC Hohhot Central Sub-branch and concurrently Director of SAFE Inner Mongolia Branch in December 2009, Head of the PBOC Guangzhou Branch and concurrently Director of SAFE Guangdong Branch in June 2012, Director-General of the PBOC Financial Stability Bureau in December 2018, and Senior Executive Vice President of the Bank in April 2020. He received a doctorate degree in economics from Xi'an Jiaotong University. His professional title is research fellow.

Lu Yongzhen, Non-executive Director

Mr. Lu has served as Non-executive Director of the Bank since August 2019. He joined Huijin in 2019. Mr. Lu previously served as Deputy Director of the Administrative Office of the Economic Research Consultation Centre of the State Economic and Trade Commission, Director of the Specific Research Department of the Economic Research Centre of the State Economic and Trade Commission, Director of the Capital Markets Research Department of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council, and Director Assistant of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council with the concurrent post as the Director of the Capital Markets Research Department, and Deputy Director of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Lu obtained a Bachelor's degree and a Master's degree in History from Peking University, and a Doctorate degree in Economics from Southwestern University of Finance and Economics. He is a researcher.

Zheng Fuqing, Non-executive Director

Mr. Zheng has served as Non-executive Director of the Bank since February 2015. He joined MOF in 1989 and served as Deputy Head and Head of Administrative Office of Shanxi Finance Ombudsman Office of the MOF, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office of the MOF. Mr. Zheng graduated from the Party School of the Central Committee of C.P.C. majoring in law theory. He is an economist.

Feng Weidong, Non-executive Director

Mr. Feng has served as Non-executive Director of the Bank since January 2020. He joined MOF in 1986. He previously served as Deputy Director of Academic Affairs Division of Chinese Accounting Correspondence School of Accounting Department of the MOF (deputy division chief level), person in charge of Teaching Material Department of National Accountant Certification Examination Leading Group Office, Director of Accounting Personnel Management Division and Director of Institutional System Division I of Accounting Department of MOF, Deputy Director (deputy director-general level), Deputy Director (person in charge), Director (director-general level), Secretary of the Party Committee and Director of National Accountant Assessment & Certification Centre of the MOF. He concurrently serves as a Managing Director of the 8th Council of the Accounting Society of China, a part-time professor and off-campus practise tutor for postgraduate students of the School of Economics and Management of Beijing Jiaotong University and a visiting tutor for postgraduate students in the Accounting School of the Central University of Finance and Economics. Mr. Feng obtained a Bachelor's degree in Economics from Dongbei University of Finance & Economics and Doctorate degree from Beijing Jiaotong University. Mr. Feng is a senior accountant, researcher, non-practicing certified public accountant and is a recipient of the Special Government Allowance by the State Council of China.

Cao Liqun, Non-executive Director

Ms. Cao has served as Non-executive Director of the Bank since January 2020. She joined Huijin in 2020. Ms. Cao previously served as Deputy Director of Regulations Division, General Affairs Department, Director of Regulations Division, General Affairs Department, Director of Non-Financial Institutions Inspection Division, Supervision and Inspection Department, Director of General Affairs Division, Supervision and Inspection Department, Deputy Director-General of Supervision and Inspection Department, Inspector of General Affairs Department (Policy and Regulation Department), Level-Two Inspector of General Affairs Department (Policy and Regulation Department) of State Administration of Foreign Exchange, and acted as Deputy Director of Administrative Committee of Beijing's Zhongguancun Science Park. Ms. Cao obtained a Bachelor's degree in Law from China University of Political Science and Law, a Master's degree in Finance from Renmin University of China, and a Master's degree in Public Administration from Peking University. Ms. Cao is an economist.

Chen Yifang, Non-executive Director

Ms. Chen Yifang joined the MOF in August 1985 and consecutively worked in the General Planning Department, General Affairs and Reform Department, the Comprehensive Department, Policy Planning Department, Shenzhen Finance Supervision Commissioner Office, Shenzhen Regulatory Bureau and Fiscal Notes Supervision Centre. Since 1994 she was consecutively appointed as Deputy Division Chief of Payment Management Division and Deputy Director of Charge Bill Regulatory Centre of General Affairs and Reform Department of MOF, and Deputy Division Chief of the Paid Fund Policy Management Division of the Comprehensive Department of MOF. Since March 2001 she was consecutively appointed as Division Chief of Paid Fund Office of Policy Planning Department of MOF and Division Chief of Housing and Land Division of the Comprehensive Department of MOF. Since December 2008 she was consecutively appointed as Deputy General Director of the Comprehensive Department of MOF, Member of leading Party members Group, Inspector and Deputy Secretary of leading Party members Group of Shenzhen Finance Supervision Commissioner Office of MOF, and Deputy Secretary of leading Party members Group, Inspector and Level-one Inspector of Shenzhen Regulatory Bureau of MOF. Since November 2020 she was appointed as Level-one Inspector of Fiscal Notes Supervision Centre of MOF. Ms. Chen Yifang graduated from Jiangxi University of Finance and Economics and obtained a Bachelor's degree in Economics.

Dong Yang, Non-executive Director

Mr. Dong joined the MOF in August 1989 and worked successively in the Human Resources Department, the Department of Industry and Transportation, the Department of Economy and Trade and the Department of National Defence of the MOF. Since 2001, he has successively served as assistant researcher, researcher and secretary (director level) of the Department of National Defence of the MOF. Since April 2015, he has successively served as a member of the CPC Committee, Deputy Inspector, and Discipline Inspection Team Leader of the Commissioner's Office of the MOF in Heilongjiang. Since December 2018, he has served as a member of the CPC Committee, Deputy Inspector and Discipline Inspection Leader of the Commissioner's Office of the MOF in Beijing. From April 2019, he served as a member of the CPC Committee, Deputy Director, and Discipline Inspection Team Leader of the Beijing Regulatory Bureau of the MOF. Mr. Dong graduated from the Beijing Normal University and obtained a Master's degree in Management from Harbin Engineering University.

Anthony Francis Neoh, Independent Non-executive Director

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organisation of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited and China Life Insurance Company Limited and New China Life Insurance Company Ltd. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and Chairman of Hong Kong Independent Police Complaints Council. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers, Chairman of PricewaterhouseCoopers Asia-Pacific region, Director and Chairman of Audit Committee of Hang Seng Management College and Vice Chairman of the Council of the Open University of Hong Kong. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club and an Independent Non-executive Director of the Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He was awarded the degree of Honorary Doctor of Social Sciences by The Open University of Hong Kong. He is a Justice of the Peace in Hong Kong. Mr. Yang holds the qualification of Chartered Accountants and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Shen Si, Independent Non-executive Director

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of PBOC, Deputy General Director of the Investigation and Statistics Department of the Head Office of PBOC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He obtained a Master's degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

Nout Wellink, Independent Non-executive Director

Mr. Wellink has served as Independent Non-executive Director of the Bank since December 2018. Previously, he served as the Treasurer General in the Dutch Ministry of Finance, member of the Executive Board and the

President of the Dutch Central Bank, member of the Governing Council of the European Central Bank, member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund, member and Chairman of the Board for International Settlements, Chairman of the Basel Committee on Banking Supervision, Independent Director of Bank of China Limited, Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and an Emeritus Professor at the Free University in Amsterdam. Mr. Wellink also served as member of the supervisory board of a bank, a reinsurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange Nassau since 2011. He received a Master's degree in Law from Leiden University, a Doctorate degree in Economics from Erasmus University Rotterdam and an Honorary Doctorate from Tilburg University.

Fred Zuliu Hu, Independent Non-executive Director

Mr. Hu has served as Independent Non-executive Director of the Bank since April 2019. He previously served as a senior economist at the International Monetary Fund, Head of Research at the World Economic Forum, the chairman for Greater China and a partner at Goldman Sachs Group, Inc., an independent non-executive director of Great Wall Pan Asia Holdings Limited (formerly known as SCMP Group Limited), an independent non-executive director of Hang Seng Bank Limited, the non-executive director of China Asset Management Co., Ltd., an independent director of Dalian Wanda Commercial Management Group Co., Ltd. and an independent director of Shanghai Pudong Development Bank etc. Mr. Hu currently serves in various positions such as the chairman of Primavera Capital Group, the non-executive chairman of Yum China Holdings, Inc, the independent non-executive director of Hong Kong Exchanges and Clearing Limited, the independent non-executive director of Ant Group Co., Ltd., the director of UBS Group AG, the co-chair of The Nature Conservancy's Asia Pacific Council and the director of the China Medical Board. Mr. Hu is also a member of the Global Board of Advisors for the Council on Foreign Relations, the 21st Century Council of the Berggruen Institute, the Harvard Global Advisory Council, the Harvard Kennedy School Mossavar-Rahmani Centre for Business and Government, the Stanford Centre for International Development, and the Jerome A. Chazen Institute of International Business at Columbia University etc. He concurrently serves as the co-director of the National Centre for Economic Research and a professor at Tsinghua University, and he is also an adjunct professor at the Chinese University of Hong Kong and Peking University. Mr. Hu obtained a master's degree in engineering science from Tsinghua University, and a master's degree and a PhD in economics from Harvard University.

Huang Liangbo, Chairman of the Board of Supervisors and Shareholder Supervisor

Mr. Huang worked in the PBOC from August 1991 to June 2010 and successively served as the deputy chief of the human resources department, president of Nanning Central Sub-branch and chief of Guangxi Zhuang Autonomous Region Branch of the SAFE. He worked in the Export-Import Bank of China from June 2010 to November 2019, and served as the general manager of the human resources department from June 2010 to August 2015, member of the business committee from September 2011 to August 2014, assistant to president from December 2013 to February 2015 and vice president from February 2015 to November 2019. In November 2019, he served as the chairman of the board of supervisors of the People's Insurance Company (Group) of China Limited.

Mr. Huang graduated from Renmin University of China in 1991 and obtained a master's degree in Law, and is a senior economist.

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of the Bank since June 2016. He joined the Bank in 1994 and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined the Bank in 1994 and is currently the Head of Beijing Branch of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of the Bank. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Wu Xiangjiang, Employee Supervisor

Mr. Wu has served as employee supervisor of the Bank since September 2020. He joined the Bank in 1988 and is currently the General Manager of Internal Control & Compliance Department of the Bank. He served such positions at the Bank as Deputy Head of Zhejiang Branch, General Manager of E-banking Department and General Manager of Internet Finance Department. He obtained a Doctorate degree in Management from Zhejiang University and is a senior economist.

Qu Qiang, External Supervisor

Mr. Qu has served as External Supervisor of the Bank since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Centre (a key research centre of humanities and social sciences of the Ministry of Education), Deputy Director of Capital Market Research Institute of Renmin University of China, a council member of China Finance Society and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China and received a Doctorate degree in Economics.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Deputy Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division and Monetary Policy Research Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBOC, Chief Representative of the PBOC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBOC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China and received a Doctorate degree in Economics. He is a research fellow.

Zhang Jie, External Supervisor

Mr. Zhang is currently a professor and doctoral supervisor of the Renmin University of China, director of the International Monetary Institute, a distinguished professor of the Ministry of Education's "Changjiang Scholars Programme", a famous teacher of the national "Ten Thousand Talents Programme", and a national candidate of the "New Century Talents Project". Mr. Zhang is a recipient of the special government allowance provided by the State Council to experts, and is engaged in research on the topics of institutional finance, China's financial system and financial development. He was the Dean of the School of Finance of Shaanxi Institute of Finance and Economics, the Associate Dean of the School of Economics and Finance of Xi'an Jiaotong University, the Associate Dean of the School of Finance of Renmin University of China, and the first Secretary General of the College Finance Teaching Steering Committee of the Ministry of Education. At present, he is concurrently a researcher of the Finance Research Institute of the Counsellor's Office of the State Council, and an executive director of the China Society for Finance and Banking.

Zhang Wenwu, Senior Executive Vice President

Mr. Zhang has served as Senior Executive Vice President of the Bank since July 2020. He joined the Bank in 1995. He was appointed as Deputy General Manager of the Finance & Accounting Department of the head office, Deputy Head of Liaoning Branch, Executive Director and Chief Financial Officer of ICBC-AXA, Director of the Board of Supervisors' Office of the head office and General Manager of the Finance & Accounting Department of the head office.

Mr. Zhang graduated from the University of International Business and Economics and he obtained a Doctorate degree in Management from Renmin University of China. He is a senior accountant.

Xu Shouben, Senior Executive Vice President

Mr. Xu has served as Senior Executive Vice President of the Bank since October 2020. He joined the Bank in 1995. He was appointed as Deputy Head of Guangdong Branch and Head of Shenzhen Branch. Mr. Xu graduated from the Harbin Institute of Technology, and he obtained a Doctorate degree in Economics from Sun Yat-sen University. He is a senior economist.

Zhang Weiwu, Senior Executive Vice President

Mr. Zhang joined the head office of the Bank in July 1999 and served as General Manager of ICBC (Europe) Amsterdam Branch in January 2011, General Manager of Singapore Branch in February 2013 and General Manager of the International Banking Department of the head office of the Bank in January 2017. Mr. Zhang graduated from the Northwest University in China and obtained a Master's degree in Political Economy and an MBA from Hitotsubashi University in Japan. He is a senior economist.

Wang Bairong, Chief Business Officer

Mr. Wang has served as Chief Business Officer of the Bank since April 2020. He began his career in 1986. He joined the Bank in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, Deputy Head (person in charge) and Head of Chongqing Branch and Chief Risk Officer. Mr. Wang graduated from the Party School of the Central Committee of CPC and obtained a Master's degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined the Bank in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of the Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of the Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Xiong Yan, Chief Business Officer

Ms. Xiong has served as Chief Business Officer of the Bank since April 2020. She joined the Bank in 1984, and served as Deputy Director-General of Kunming Sub-bureau of the Internal Audit Bureau, Deputy General Manager of Yunnan Branch and Deputy Director-General of the Sub-bureau directly managed by the Internal Audit Bureau Deputy General Manager of the Corporate Banking Department I (Corporate Banking Department) and General Manager of the Institutional Banking Department of the Head Office. Ms. Xiong graduated from Hunan University, and obtained a degree of International Master of Business Administration from Fudan University and The University of Hong Kong. Ms. Xiong is a senior economist.

Song Jianhua, Chief Business Officer

Mr. Song has served as Chief Business Officer of the Bank since April 2020. He joined the Bank in 1987. He was appointed as Deputy General Manager of Jiangsu Branch and General Manager of the Personal Banking Department of the head office.

Mr. Song graduated from Peking University and obtained a Doctorate degree in management science and engineering from Nanjing University. He is a senior economist.

CORPORATE GOVERNANCE

We have made consistent efforts to improve our corporate governance and cheques and balances mechanisms, which comprise the Shareholders' general meeting, the Board, the board of supervisors and the senior management, by clearly defining responsibilities and accountability, coordinating effective cheques and balances and optimising responsibilities of the authority, decision-making, supervisory and executive bodies within the Bank. As a result of these efforts, we have established a corporate governance operation mechanism featuring a scientific decision-making process, effective supervision and steady operation.

Shareholders' General Meeting

The Shareholders' general meeting is responsible for, among others, deciding on business policies and material investment plans of the Bank; considering and approving the proposals on the annual financial budget, final accounts, profit distribution plans and loss recovery plans; electing and changing directors, shareholder supervisors and external supervisors; considering and approving the work report of the Board and the work report of the board of supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of registered capital, issuance and listing of corporate bonds or other negotiable securities and repurchase of stocks; and amending the articles of association of the Bank.

Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report its work to, the shareholders' general meeting. The Board of Directors is responsible for, among others, convening the shareholders' general meeting; implementing the resolutions of the shareholders' general meeting; deciding on the business plans, investment proposals and development strategies of the Bank; formulating annual financial budget and final accounts of the Bank; formulating plans for profit distribution and loss recovery of the Bank; formulating plans for the increase or decrease of the Bank's registered capital, capital replenishment and financial restructuring of the Bank; formulating basic management systems of the Bank such as risk management system and internal control system, and supervising the implementation of such systems; appointing or removing President and the Board Secretary, and appointing or removing Senior Executive Vice Presidents and other senior management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors under relevant laws according to the nomination of the President and deciding on their compensation, bonus and penalty matters; deciding on or authorising the President to decide on the establishment of relevant offices of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure of the Bank; and supervising and ensuring the President and other senior management members to perform their management duties effectively.

Board Committees

The Board delegates certain responsibilities to various committees. In accordance with relevant PRC laws and regulations, we have formed strategy, corporate social responsibility and consumer protection, audit, risk management, nomination and compensation, related party transactions control and US risk committees.

Strategy Committee

The Strategy Committee is mainly responsible for considering our strategic development plan, business and institutional development plan, major investment and financing plan and other major matters critical to our development, making recommendations to the Board, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with our corporate governance criteria. The Strategy Committee consists of eight directors, including Chairman and Executive Director, Mr. Chen Siqing; Vice Chairman and President, Liao Lin; Non-executive Directors, Mr. Lu Yongzhen, Mr. Zheng Fuqing and Ms. Chen Yifang and Independent Non-executive Directors, Mr. Anthony Francis Neoh, Mr. Nout Wellink and Mr. Fred Zuliu Hu. Chairman of the Board Mr. Chen Siqing is the chairman of the committee.

Corporate Social Responsibility and Consumer Protection Committee

The Corporate Social Responsibility and Consumer Protection Committee is mainly responsible for undertaking the relevant duties of the Bank in relation to the fulfilment of social responsibility and consumer protection of the Bank. The Corporate Social Responsibility and Consumer Protection Committee consists of four members, including Vice Chairman, Executive Director and President, Mr. Liao Lin; Non-executive Directors, Ms. Cao Liqun and Ms. Chen Yifang and Independent Non-Executive Director, Mr. Nout Wellink. Vice Chairman of the Board, Executive Director and President Mr. Liao Lin is the chairman of the committee.

Audit Committee

The Audit Committee is mainly responsible for supervising, inspecting and evaluating internal control, financial information and internal audit and assessing mechanisms for our staff to report misconducts in financial statements, internal control, etc. and for the Bank to make independent and fair investigations and take appropriate actions. The Audit Committee consists of seven directors, including Non-executive Directors, Mr. Feng Weidong and Ms. Cao Liqun and Independent Non-executive Directors, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu. Independent Non-executive Director Mr. Shen Si is the chairman of the committee.

Risk Management Committee

The Risk Management Committee is primarily responsible for reviewing and revising our strategy, policy and procedures of risk management and internal control process and supervising and evaluating the performance of Senior Management members and the risk management department in respect of risk management. The Risk Management Committee consists of eight directors, including Senior Executive Vice President and Executive Director, Mr. Wang Jingwu, Non-executive Directors, Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong and Ms. Cao Liqun and Independent Non-executive Directors, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Mr. Shen Si. Independent Non-executive Director Mr. Anthony Francis Neoh is the chairman of the committee.

Nomination Committee

The Nomination Committee is mainly responsible for making recommendations to the Board on candidates for directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board, and formulating the standards and procedures for selection and appointment of directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board on a yearly basis and making recommendations to the Board based on our development strategy. The Nomination Committee consists of five directors, including Vice Chairman, Executive Director and President, Mr. Liao Lin; Non-executive Director, Mr. Feng Weidong and Independent Non-executive Directors, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Mr. Fred Zuliu Hu. Independent Non-executive Director Mr. Fred Zuliu Hu is the chairman of the committee.

Compensation Committee

The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties for directors, organising the assessment on the performance of duties of Directors, putting forth proposals on remuneration distribution for Directors, putting forth proposals on remuneration distribution for Supervisors based on the performance assessment on Supervisors carried out by the board of supervisors, formulating and reviewing the assessment measures and compensation plans for Senior Management members and evaluating the performance and behaviours of Senior Management members. The Compensation Committee consists of five directors, including Non-executive Directors, Mr. Lu Yongzhen and Ms. Chen Yifang and Independent Non-executive Directors, Mr. Anthony Francis Neoh, Mr. Shen Si and Mr. Nout Wellink. Independent Non-executive Director Mr. Nout Wellink is the chairman of the committee.

Related Party Transactions Control Committee

The Bank established its related party transactions control committee in accordance with applicable PRC laws, regulations and rules. The Related Party Transactions Control Committee is mainly responsible for identifying the Bank's related parties, examining major related party transactions, and receiving related party transaction statistics and reporting information of general related party transactions. The Related Party Transactions Control

Committee consists of four directors, including Senior Executive Vice President and Executive Director, Mr. Wang Jingwu, Independent Non-executive Directors, Mr. Yang Siu Shun, Mr. Shen Si and Mr. Nout Wellink. Independent Non-executive Director Mr. Yang Siu Shun is the chairman of the committee.

US Risk Committee

The US Risk Committee is mainly responsible for regulatory compliance in the United States in light of the business development needs of the Bank. The US Risk Committee consists of eight directors, including Senior Executive Vice President and Executive Director, Mr. Wang Jingwu, Non-Executive Directors, Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong and Ms. Cao Liqun and Independent Non-executive Directors, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Mr. Shen Si. Independent Non-executive Director Mr. Anthony Francis Neoh is the chairman of the committee.

Board of Supervisors

Responsibilities of the Board of Supervisors

As the supervisory body of the Bank, the Board of Supervisors is accountable to, and shall report to, the Shareholders' general meeting. The board of supervisors is responsible for, among others, supervising the performance and due diligence of directors and senior management members; supervising the performance of duties of the Board and the senior management; conducting audits on retiring or resigning directors and senior management members where appropriate; examining and supervising the Bank's financial activities; examining financial information such as financial reports, business reports and profit distribution plans to be submitted to the Shareholders' general meeting by the Board; examining and supervising the business decision-making, risk management and internal control of the Bank and guiding the internal audit department of the Bank; supervising the engagement, dismissal, reengagement and audit of the external auditor as well as the audit work progress of the Bank; formulating the remuneration plans and performance evaluation measures of supervisors, conducting the performance evaluation on supervisors, and reporting to the shareholders' general meeting for approval; presenting proposals to the shareholders' general meeting; proposing to convene an extraordinary general meeting, and convening and presiding over the extraordinary general meeting in case the Board of Directors fails to perform its duty of convening shareholders' general meeting; proposing to convene an interim meeting of the Board of Directors.

Operation of the Board of Supervisors

The Board of Supervisors convenes regular and special meetings to discuss official matters. Regular meetings shall be held at least four times a year. There is a supervisory board office under our Board of Supervisors that functions in accordance with authorisation from our Board of Supervisors and reports to our Board of Supervisors. The supervisory board office under the Board of Supervisors is its day-to-day administrative organ. It is responsible for supervising and scrutinising matters such as corporate governance, financial activities, risk management and internal control of the Bank; for organising meetings of the Board of Supervisors and its special committee; and for preparing meeting documents and minutes for the meetings.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The discussion does not deal with all possible tax consequences relating to an investment in the Bonds. Accordingly, prospective investors should consult their own tax advisers regarding the tax consequences of an investment in the Bonds. The discussion is based upon laws and relevant interpretations in effect as at the date of this Offering Circular, all of which are subject to change.

THE PRC

There is no specific tax law on the Bonds in the PRC. Certain prevailing PRC tax provisions relating to the Bonds are summarised below. This summary does not purport to address all material tax consequences of the ownership of Bonds and does not take into account the specific circumstances of any particular investors. This summary is based on various PRC tax laws as in effect on the date of this Offering Circular, all of which are subject to change (or changes in interpretation), possibly with retroactive effects. In addition, if the related PRC laws and regulations change or particular laws and regulations relating to Bonds are promulgated thereafter, the taxation mentioned in this section shall be executed in accordance with the PRC laws and regulations then in effect.

Income Tax

According to Announcement of the Ministry of Finance and the State Taxation Administration on Issues Concerning Enterprise Income Tax Policies on Perpetual Bonds (Announcement No. 64 [2019] of the Ministry of Finance and the State Taxation Administration) (the "**Announcement**"), the perpetual bonds issued by enterprises may be subject to the enterprise income tax policies on dividends and bonuses, and the perpetual bonds that meet the specified conditions may also be subject to the enterprise income tax policies based on the interest of the bonds. According to the Announcement, the Bonds belong to the perpetual bonds that meet the specified conditions stipulated in Article 2 of the Announcement, and will be subject to the enterprise income tax policies based on the interest of the bonds, that is, the interest expenditure on the perpetual bonds paid by the Issuer is allowed to be deducted before the payment of enterprise income tax, and the interest income from the perpetual bonds obtained by investors shall be taxed according to law.

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including bonds issued by enterprises established within the territory of China to non-resident enterprises (including Hong Kong enterprises) and non-resident individuals (including Hong Kong resident individuals). The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest unless there is an applicable tax treaty between the PRC and the jurisdiction in which the holders reside that reduces or exempts such PRC income tax. The Issuer shall withhold such income tax at the applicable rates in respect of the Distributions payable on the Bonds and pay such income tax to the PRC tax authorities on behalf of the holders in accordance with the applicable tax laws and regulations. The Bank shall in respect of these withholding taxes pay additional amounts to the investors of the Bonds in accordance with the Conditions so that the Bondholders receive the full amount of the scheduled payment, as further set out in the Conditions.

According to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law and their implementation rules, it is unclear whether the capital gains of non-resident enterprises and non-resident individuals derived from a sale or exchange of the Bonds will be subject to PRC income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident holders may be subject to enterprise income tax at a rate of 10 per cent. or individual income tax at a rate of 20 per cent. of the gross proceeds unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant non-resident holders reside which reduces or exempts such income tax. According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong (including enterprise and individual) will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Bonds.

Value-added Tax

Circular 36 confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to the Tentative Regulations on the Value-added Tax of the PRC which was introduced by the State Council on 13 December 1993, and was later amended on 10 November 2008, 6 February 2016 and on 19 November 2017 and the Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the Bondholders would be regarded as providing the financial services within China and consequently, the Bondholders shall be subject to VAT at the rate of 6 per cent. when receiving the Distribution payments under the Bonds. In addition, the Bondholders shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. The Bank shall in respect of the VAT pay additional amounts to the investors of the Bonds in accordance with the Conditions so that the Bondholders receive the full amount of the scheduled payment, as further set out in the Conditions.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

***Estate* Duty**

Non-PRC Bondholders are not subject to any estate duty tax according to the PRC laws.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or Distribution on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issuance and transfer of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Distribution on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) Distribution on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) Distribution on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) Distribution on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) Distribution on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) are exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of Bonds is registered under the Companies Ordinance, the issue of Bonds by the Bank is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Bank may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Bank has entered into a subscription agreement with Industrial and Commercial Bank of China (Asia) Limited and ICBC Standard Bank Plc as placing managers (the "**Placing Managers**") and Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Mizuho Securities Asia Limited, BOCI Asia Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Natixis and UBS AG Hong Kong Branch as subscribing managers (the "**Subscribing Managers**", and together with the Placing Managers, the "**Joint Lead Managers**") dated 16 September 2021 (the "**Subscription Agreement**") in relation to Bonds offered herein. Pursuant to the Subscription Agreement, subject to certain conditions contained therein, the Bank acknowledged that the Placing Managers, each acting as a Joint Lead Manager, intend to procure purchasers or subscribers to subscribe only and acknowledged and agreed that the Subscribing Managers or any of their affiliates may purchase the Bonds, and the Subscribing Managers severally and not jointly agreed to subscribe or procure purchasers or subscribers to subscribe, and the Placing Managers severally and not jointly agreed to procure purchasers or subscribers to subscribe, for the Bonds of an aggregate principal amount of U.S.$6,160,000,000, in the proportions set out as follows:

Joint Lead Managers	**Principal amount of the Bonds to be subscribed or procured to be subscribed**
Industrial and Commercial Bank of China (Asia) Limited	U.S.$1,000,000,000
Citigroup Global Markets Limited	U.S.$990,000,000
The Hongkong and Shanghai Banking Corporation Limited	U.S.$990,000,000
J.P. Morgan Securities plc	U.S.$990,000,000
Mizuho Securities Asia Limited	U.S.$990,000,000
BOCI Asia Limited	U.S.$200,000,000
Commerzbank Aktiengesellschaft	U.S.$200,000,000
Crédit Agricole Corporate and Investment Bank	U.S.$200,000,000
ICBC Standard Bank Plc	U.S.$200,000,000
Natixis	U.S.$200,000,000
UBS AG Hong Kong Branch	U.S.$200,000,000
Total	**U.S.$6,160,000,000**

ICBC (Asia) is the sole financial adviser for the offering of the Bonds.

The Bank has agreed to pay the Joint Lead Managers certain management and selling commissions in connection with the initial sale and distribution of the Bonds. The Subscription Agreement provides that the Bank will indemnify each Joint Lead Manager or any of its affiliates or any officer, director, employee or agent of such Joint Lead Manager or such affiliate or any person who controls that Joint Lead Manager against certain loss and liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate the Subscription Agreement prior to the payment of the proceeds of the issue of the Bonds to the Bank in certain circumstances.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Bank for which they have received, or will receive, fees and expenses.

In connection with the issue of the Bonds, certain Joint Lead Managers and/or their respective affiliates may act as investors and place orders, receive allocations and trade the Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations and/or trade of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account and enter into transactions, including credit derivatives, asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Bank or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may or may not be purchasers of the Bonds). Accordingly, references herein to the Bonds being "**offered**" should be read as including any offering of the Bonds to certain Joint Lead Managers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for and subsequently hold a significant proportion of the Bonds. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds – The Bonds are newly-issued securities which have limited liquidity*"). The Bank and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Bank, including the shares and could adversely affect the trading prices of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Bank and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any Joint Lead Manager who is appointed and acting in its capacity as a stabilisation manager (the "**Stabilisation Manager(s)**") or any person acting on behalf of the Stabilisation Manager(s) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at levels other than those which might otherwise prevail in the open market, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Bank. However, there is no assurance that the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the own account of the relevant Stabilisation Manager(s).

In connection with the issue of the Bonds, certain Joint Lead Managers and certain of their respective subsidiaries or affiliates may have performed certain investment banking and advisory services for the Bank and/or their respective subsidiaries and affiliates from time to time for which they have received customary fees and expenses. Certain Joint Lead Managers may, from time to time, engage in transactions with and perform services for the Bank and/or its subsidiaries and affiliates in the ordinary course of their business. In addition, certain Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares of the Bank as beneficial owners, on behalf of clients or in the capacity of investment advisors. Certain Joint Lead Managers and/or certain of their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Bank or any Joint Lead Manager that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Bank or any Joint Lead Manager, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Bank or any Joint Lead Manager. If a jurisdiction requires that the offering be made by a licenced broker or dealer and a Joint Lead Manager or any affiliate of the Joint Lead Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager and/or affiliate on behalf of the Bank in such jurisdiction.

The Bonds are offered to Professional Investors only and are not suitable for retail investors. Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors. Investing in the Bonds involves certain risks. Potential investors should read the whole of this Offering Circular, in particular the "*Risk Factors*" section for further information.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

The PRC

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including, Hong Kong, Macao and Taiwan), except as permitted by the securities laws of the People's Republic of China.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities and securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

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

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

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

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

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

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and the CMP Regulations 2018, the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Taiwan

Each Joint Lead Manager has represented, warranted and agreed that as the Bonds have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan pursuant to relevant securities laws and regulations of Taiwan, it has not offered or sold and will not offer or sell the Bonds within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Bonds in Taiwan.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Canada

Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell the Bonds in Canada except to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

The banking industry is heavily regulated in the PRC, with CBIRC and PBOC acting as the principal regulatory authorities. CBIRC is primarily responsible for supervising and regulating banking institutions, and PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC banking industry consist principally of the PRC PBOC Law (《中華人民共和國中國人民銀行法》), the PRC Commercial Banking Law (《中華人民共和國商業銀行法》), the Law of PRC on Supervision and Administration of Banking Sector (《中華人民共和國銀行業監督管理法》), and rules and regulations promulgated thereunder.

Principal Regulators

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions.

In March 2018, the PRC government announced the merger of CBRC with CIRC, to form the CBIRC. CBIRC is responsible for supervising and regulating banking and insurance sectors in the PRC in accordance with laws and regulations.

CBIRC

Functions and Powers

CBIRC is the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Supervision and Administration of Banking Sector and relevant regulations, the main responsibilities of CBIRC include:

(1) regulating and supervising the banking and insurance sectors in China in accordance with laws and regulations; ensuring the legal and stable operation of banking and insurance institutions.

(2) conducting systematic research on the reform and opening up as well as supervisory effectiveness of the banking and insurance sectors; engaging in strategic planning for financial reform and development, drafting of laws and regulations of the banking and insurance sectors, and the establishment of prudential regulation framework and financial consumer protection framework; formulating relevant rules and regulations of the banking and insurance sectors, and making recommendations for the formulation and amendment of these rules and regulations.

(3) formulating supervisory rules for prudential regulation and financial consumer protection in accordance with the framework of prudential regulation and financial consumer protection; developing operational rules and supervisory rules for microfinance companies, financing guarantee companies, pawnshops, leasing companies, commercial factoring companies, local asset management companies and other institutions; and establishing supervisory framework for the business activities of online lending institutions.

(4) licencing banking and insurance institutions and their business scope in accordance with laws and regulations; reviewing and approving the qualification of senior management of relevant institutions; and formulating codes of conduct for banking and insurance employees.

(5) conducting supervision on banking and insurance institutions in terms of corporate governance, risk management, internal control, capital adequacy, solvency, business operation, and information disclosure, etc.

(6) conducting on-site examination and off-site surveillance on banking and insurance institutions, carrying out risk and compliance assessment, protecting the legitimate rights of financial consumers, and penalising illegal acts and misconducts.

(7) compiling and publishing statistical reports of the banking and insurance sectors, making due disclosure in accordance with requirements and performing the duty of financial statistical work.

(8) establishing risk monitoring, control, assessment and early warning mechanisms for the banking and insurance sectors; tracking, analysing, monitoring and forecasting the banking and insurance operations.

(9) making recommendations for and oversee the implementation of the contingent risk resolution plans of depository financial institutions and insurance institutions.

(10) cracking down on illegal financial activities in accordance with laws and regulations, including identifying, punishing and banning illegal fund-raising activities and conducting relevant coordination work.

(11) providing guidance for and monitoring the work of local financial regulatory authorities.

(12) engaging in the activities of international banking and insurance organisations, including the international regulatory standard-setting work for banking and insurance sectors; facilitating international cooperation of the banking and insurance sectors.

(13) carrying out routine administrative work of the supervisory boards of major banks.

(14) performing other responsibilities assigned by the central government.

Examination and Supervision

CBIRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. CBIRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, CBIRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, PBOC is empowered to:

(1) drafting and enforcing relevant laws, rules and regulations that are related to fulfiling its functions;

(2) formulating and implementing monetary policy in accordance with law;

(3) issuing the Renminbi and administering its circulation;

(4) regulating the inter-bank lending market and the inter-bank bond market;

(5) implementing foreign exchange management, supervising inter-bank foreign exchange market;

(6) supervising and regulating gold market;

(7) holding, operating and managing the state foreign exchange and gold reserves;

(8) managing the State Treasury;

(9) ensuring normal operation of the payment and settlement systems;

(10) providing guidance to anti-money laundering work in the financial sector and responsible for monitoring anti-money laundering related suspicious fund movement;

(11) taking responsibility for financial industry statistics, surveys, analyses and forecasts; and

(12) participating in international financial activities as the central bank of the PRC.

Other Regulatory Authorities

In addition to CBIRC and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE, CSRC and NDRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC; and in issuing the notes overseas by the domestic banks, the domestic banks are subject to the regulation of NDRC.

Regulations Regarding Capital Adequacy

Capital Adequacy Guidelines

In June 2012, the CBRC issued the Capital Management Rules regulating capital adequacy ratios of PRC commercial banks. The Capital Management Rules, which are intended to reflect the Basel III regulatory capital requirements, set out minimum Capital Adequacy Ratio requirements, including minimum capital requirements, reserve capital requirements, counter-cyclical capital requirements, additional capital requirements for systematically important banks, and second pillar capital requirements and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The capital adequacy ratios are calculated in accordance with the Capital Management Rules as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital-deductions from corresponding capital instruments}}{\text{Risk-weight Assets}} \text{x}100\%$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital-deductions from corresponding capital instruments}}{\text{Risk-weight Assets}} \text{x}100\%$$

$$\text{Core Tier 1 Capital Adequacy Ratio} =$$

$$\frac{\text{Core Tier 1 Capital-deductions from corresponding capital instruments}}{\text{Risk-weight Assets}} \text{x}100\%$$

In November 2012, the CBRC further released the Guiding Opinion on Commercial Banks' Innovation on Capital Instruments, setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments. On November 2019, CBIRC promulgated the CBIRC Guiding Opinion, which adjusts the name of the trigger event of capital instruments and sets different trigger events for Additional tier 1 capital instruments according to the accounting classification.

In addition, the Capital Management Rules require that commercial banks meet regulatory requirements on capital adequacy ratios as set forth in these rules before the end of 2018. On 30 November 2012, the CBRC issued Notice of CBRC on Issues concerning Transitional Arrangements for the Implementation of the Capital Management Rules, which requires the satisfaction by systematically important commercial banks and other banks of Capital Adequacy Ratio requirements by the end of 2013, 2014, 2015, 2016, 2017 and 2018 respectively.

NDRC

On 14 September 2015, NDRC promulgated the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《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（發改委外資[2015]2044號）》) (the "**NDRC Circular**"), which came into effect on the same day. According to the NDRC Circular, domestic enterprises and/or their overseas controlled entities shall procure the registration of any issue of financing instrument outside the PRC, denominated in Renminbi or a foreign currency, with a maturity term of one year or longer, including bonds issued overseas, mid- to long-term international commercial loans etc., with the NDRC prior to such issue, and notify the particulars of such issue to the NDRC within ten PRC Business Days after such issue (the "**NDRC Post-issue Filing**"). On 13 November 2020, the Bank obtained a certificate from the NDRC with respect to the registration of the issuance of the Bonds. The Bank has also undertaken to the Joint Lead Managers in the Subscription Agreement (as defined in "*Subscription and Sale*") that it will complete the NDRC Post-issue Filing in relation to the Bonds within ten PRC Business Days after the Issue Date. The NDRC Post-issue Filing is a procedural process which involves the reporting of certain post-issuance information in respect of the Bonds by the Bank to the NDRC rather than a substantive approval or consent process. Any failure by the Bank to complete the NDRC Post-issue Filing in accordance with the NDRC Circular will not impact the enforceability or validity of the Bonds.

GENERAL INFORMATION

Clearing Systems

The Bonds will be registered in the name of a nominee and deposited with a common depository for Euroclear and Clearstream. The Bonds will be settled through Euroclear and Clearstream under ISIN XS2383421711 and Common Code 238342171 The LEI code of the Bank is 5493002ERZU2K9PZDL40.

Authorisations

The Bank has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds. The issue of the Bonds was approved by the Board on 7 January 2020 and 29 April 2021 and by the shareholders of the Bank on 12 June 2020 and 21 June 2021.

The issue of the Bonds was approved by PBOC in January 2017 and by CBIRC on 25 September 2020. The Bank has also completed the pre-issuance registration of the Bonds with the NDRC.

The Bank will submit or cause to be submitted with the NDRC, the PBOC, the CBIRC and SAFE after the Issue Date, within the time period prescribed by the NDRC, the PBOC, the CBIRC and SAFE respectively, in each case pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority.

Listing

Application will be made for the listing of the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that the dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on or about 27 September 2021.

No Material Adverse Change

As at the date of this Offering Circular, except for those disclosed in this Offering Circular, since 31 December 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the financial or trading position of the Bank and the Group.

Litigation

As at the date of this Offering Circular, except for those disclosed in this Offering Circular, there are no legal or arbitration proceedings which will have a significant impact on the issuance of the Bonds, and neither the Bank nor any of its subsidiaries is aware of any such pending or threatened proceedings against the Bank or any of its subsidiaries.

Financial Statements

The Group's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 which are incorporated by reference in this Offering Circular, have been audited by KPMG, as stated in its reports appearing therein. The Group's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with IAS 34 under IFRS. The interim consolidated financial information of the Group as at and for the six months ended 30 June 2021, which was incorporated by reference in this Offering Circular, was extracted from the interim consolidated financial statements of the Group as at and for the six months ended 30 June 2021 (the "**Group's Interim Financial Statements**"). The Group's Interim Financial Statements have been prepared and presented in accordance with IAS34, Interim Financial Reporting and have been reviewed by Deloitte.

Deloitte has given and not withdrawn its written consent to the incorporation by reference in this Offering Circular of its report dated 27 August 2021 on the unaudited but reviewed interim consolidated financial results of the Group for the six months ended 30 June 2021.

Documents Available for Inspection

Copies of the following documents will be available for inspection at the specified office of the Fiscal Agent (currently at The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL, United Kingdom) during normal business hours (being from 9:00 a.m. to 3.00 p.m.) on a weekday (other than public holidays) from the Issue Date:

- this Offering Circular;
- Agency Agreement;
- the audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020 and copies of the relevant auditors' reports of KPMG; and
- the unaudited but reviewed interim consolidated financial results of the Group as at and for the six months ended 30 June 2021.

THE BANK

Industrial and Commercial Bank of China Limited
No. 55 Fuxingmennei Avenue
Xicheng District, Beijing, 100140
People's Republic of China

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REGISTRAR AND TRANSFER AGENT

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To the Bank as to PRC law

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Beijing, People's Republic of China

To the Joint Lead Managers as to English and Hong Kong laws

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To the Joint Lead Managers as to PRC law

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AUDITOR OF THE BANK FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2020

KPMG
Certified Public Accountants
8th Floor, Prince's Building
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Central, Hong Kong

CURRENT AUDITOR OF THE BANK

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