

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



中國銀行股份有限公司  
**BANK OF CHINA LIMITED**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(the "Bank")**  
**(Stock Code 3988 and 4601 (Preference Shares))**

## **Announcement on the Completion of the Non-public Issuance of Domestic Preference Shares (the Second Tranche)**

Reference is made to the announcement (the "**Announcement**") entitled Resolutions of the Board of Directors published by the Bank on 29 October 2018. Unless otherwise specified, the terms defined in the Announcement shall have the same meaning in this announcement.

The Board of the Bank is pleased to announce that, as at the date of this announcement, the Bank has received the proceeds of the non-public issuance of Domestic Preference Shares (the second tranche) (the "**Preference Shares under this Tranche**") amounting to RMB27,000,000,000 (including the paid offering expenses of RMB5,940,000 and unpaid offering expenses of RMB3,950,000). The relevant fund verification entity has issued fund verification reports in respect of such proceeds.

### **I. Subscribers of the Issuance**

The subscribers of the Preference Shares under this Tranche are 14 qualified investors in compliance with the requirements of the *Experimental Administrative Measures on Preference Shares*, the *Administrative Measures on the Suitability of Securities and Futures Investors* and other laws and regulations. The range of all the subscribers' subscription amounts is between RMB300,000,000 and RMB7,000,000,000.

## II. The Type and Key Terms of the Issuance of Preference Shares under this Tranche

Summary of Key Terms of the Second Tranche					
1	Nominal Value	RMB100 per preference share	2	Issuance Price	Issued at nominal value
3	Number of Securities Issued	The number of the Preference Shares proposed to be issued shall not exceed 1 billion shares in total, and the number of the Preference Shares under this tranche is 270 million.	4	Issuance Size	The issuance size shall not exceed RMB100 billion in total, of which the size of this tranche is RMB27 billion.
5	Dividend Accumulation	No	6	Participation in Distribution of Remaining Profit	No
7	Dividend Adjustment	Yes	8	Term	The Preference Shares have no maturity.
9	Method of Issuance	Upon approval by regulatory authorities such as CBIRC and CSRC, the Domestic Preference Shares will be issued by non-public issuance in multiple tranches according to relevant procedures. The resolution in respect of the issuance of the Preference Shares will be valid for 24 months from the date on which the resolution is approved by the shareholders' general meeting. The issuance of multiple tranches of the Domestic Preference Shares under the framework of the issuance plan of the Preference Shares as deliberated and adopted at the shareholders' general meeting is not subject to a separate approval by the then existing holders of Preference Shares to be issued within the validity period of the resolution.			

10	Determination Principles of Dividend Rate	<p>The dividend rate for the Preference Shares under this Tranche shall be adjusted at different intervals. The dividend rate shall be the benchmark rate plus a fixed spread and there shall be dividend rate adjustment periods. The dividend rate will be fixed for the first 5 years after the issuance of the Domestic Preference Shares under this Tranche and will be readjusted once after each 5 years thereafter. The dividend rate during each adjustment periods shall remain the same. The fixed spread shall be equal to the spread between the dividend rate for the Domestic Preference Shares under this Tranche at the time of issuance and the benchmark rate, which will remain unchanged during the term of the Domestic Preference Shares under this Tranche.</p> <p>The benchmark rate at the time of issuance of the Preference Shares shall be the arithmetic average yield (rounded to 0.01%) of PRC Treasury bonds with a maturity of 5 years as contained in the yield curves of the inter-bank fixed-rate Treasury bonds published by China Bond Information Network (<a href="http://www.chinabond.com.cn">www.chinabond.com.cn</a> or any other websites recognised by China Government Securities Depository Trust &amp; Clearing Co., Ltd.; the same below) during the 20 trading days immediately preceding but exclusive of the payment due date of the issuance of the Preference Shares under this Tranche (i.e. 29 August 2019); the benchmark rate as of the dividend rate readjustment date shall be the arithmetic average yield (rounded to 0.01%) of PRC Treasury bonds with a maturity of 5 years as contained in the yield curves of the inter-bank fixed-rate Treasury bonds to be published by China Bond Information Network during the 20 trading days immediately preceding but exclusive of the readjustment date of the Preference Shares under this Tranche (which is each fifth anniversary of the first date of the issuance of the Preference Shares under this Tranche, i.e. 29 August). If the yield of PRC Treasury bonds with a maturity of 5 years is not published on China Bond Information Network during any of the 20 trading days immediately preceding the readjustment date, the benchmark rate as of the readjustment date shall be the arithmetic average yield (rounded to 0.01%) of PRC Treasury bonds with a maturity of 5 years available on China Bond Information Network during the latest 20 trading days prior to the dividend rate readjustment date of the Preference Shares under this Tranche.</p> <p>The dividend rate for the Preference Shares under this Tranche is determined at 4.35% through price discovery, in which the benchmark rate is 2.94% and the fixed spread is 1.41%. The dividend rate for the Domestic Preference Shares under this Tranche will not be higher than the annual average of the weighted average return on equity of the Bank for the last two financial years preceding the issuance.</p>
----	---	---

11	Conditions for Dividend Distribution	<p>(1) If the Bank has distributable after-tax profit after recovering losses and making allocations to its statutory common reserve fund and general reserve in accordance with laws, the Bank may distribute dividends to the holders of the Domestic Preference Shares under this Tranche, provided the capital adequacy ratio of the Bank meets the requirements of the regulatory rules. The Domestic Preference Shares under this Tranche issued by the Bank rank pari passu with the Offshore Preference Shares in terms of dividend distribution, both of which rank ahead of Ordinary Shareholders. Distribution of dividends to the Domestic Preference Shareholders will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.</p> <p>(2) In all circumstances, the Bank shall have the right to partially or entirely cancel dividend payments to the Domestic Preference Shareholders after being reviewed and approved by the shareholders' general meeting, which shall not be deemed a default. The Bank, at its discretion, may use any dividends cancelled to repay other debts that are due. The cancellation of the current Domestic Preference Shares under this Tranche dividend shall not constitute any other restrictions on the Bank except for the dividend distribution restrictions on ordinary shares. The Bank will fully consider the rights and interests Shareholders of the Domestic Preference under this Tranche when exercising the above-mentioned rights.</p>
12	Method of Dividend Payment	<p>Dividends for the Preference Shares under this Tranche will be paid in cash calculated based on the aggregate par value of the relevant series of the outstanding Domestic Preference Shares under this Tranche that have been issued by the Bank. Dividends for the Domestic Preference Shares under this Tranche shall be paid on an annual basis and will accrue from the payment due date of the issuance of the relevant series of Domestic Preference Shares under this Tranche, i.e. 29 August 2019. Dividend payment dates shall be each anniversary of the payment due date of the issuance of the Domestic Preference Shares under this Tranche, i.e. 29 August; if such anniversary date is not a trading day of the Shanghai Stock Exchange, the relevant dividend payment date shall be postponed to the immediately following trading day, and no dividend shall accrue during such postponed period. If any dividend on the Preference Shares needs to be calculated and paid before the dividend payment date, the dividend shall be calculated based on the actual number of days of the corresponding period, and each year shall be regarded as having 360 days for the purpose of such calculation. Results of dividend calculation shall be rounded to RMB0.01. Taxes payable on the holders of the Domestic Preference Shares under this Tranche for receiving such dividends shall be borne by such Preference Shareholders in accordance with relevant laws and regulations.</p>

13	Conversion Arrangement	<p>(1) Trigger events for compulsory conversion</p> <p>i. Upon the occurrence of any Additional Tier-1 Capital Instrument Trigger Event, that is, the core tier-1 CAR drops to 5.125% or below, the Domestic Preference Shares under this Tranche shall be wholly or partly converted into A Shares so as to restore the Bank’s core tier-1 CAR above the trigger point.</p> <p>ii. Upon the occurrence of any Tier-2 Capital Instrument Trigger Event, all of the Domestic Preference Shares under this Tranche shall be converted into A Shares. “Tier-2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable.</p> <p>(2) Compulsory conversion price</p> <p>The initial compulsory conversion price of the Domestic Preference Shares under this Tranche shall be the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the issuance of the Domestic Preference Shares under this Tranche, i.e. RMB3.62 per share.</p> <p>The average trading price of the A Shares of the Bank for the 20 preceding trading days = total trading amount of A Shares of the Bank for such 20 preceding trading days/total trading volume of A Shares of the Bank for such 20 trading days.</p> <p>After the issuance of Domestic Preference Shares under this Tranche, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference share, convertible corporate bond etc.)), or rights issue for A Shares of the Bank, the compulsory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events. The distribution of cash dividends to the Ordinary Shareholders will not result in any adjustment to the compulsory conversion price. The compulsory conversion price will be adjusted based on the following:</p> <p>In the event of any distribution of bonus shares or recapitalization: <math>P1 = P0 \times N/(N + n)</math>;</p> <p>In the event of any new issuance of A Shares at a price lower than the market price or rights issue for A Shares: <math>P1 = P0 \times (N + k)/(N + n)</math>, <math>k = n \times A/M</math>;</p>
----	------------------------	--

Where, “P0” denotes the compulsory conversion price effective immediately preceding such adjustment; “N” denotes the total number of ordinary shares before such distribution of bonus shares, recapitalization, issuance of new shares or rights issuance of A Shares; “n” denotes the number of new A Shares distributed as bonus shares, recapitalized, issued as new shares or subject to a rights issue; “A” denotes the price of the new A Shares issued under such new issuance or rights issue; “M” denotes the closing price of A Shares on the trading day immediately preceding the date of announcement of issuance or rights issuance of new A Shares (i.e. announcement containing the effective and irrevocable terms of issuance of new shares or rights issuance); and “P1” denotes the compulsory conversion price effective immediately after such adjustment.

In the event that the rights and benefits of the Domestic Preference Shareholders may be affected by the change in the share class, number of shares and/or shareholders’ interests of the Bank due to share repurchase, or merger or division of the Bank or any other circumstances, the Bank will adjust the compulsory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice, equity and full protection and balance of the interests of the Preference Shareholders and the Ordinary Shareholders. The contents and the mechanism relating to the adjustment of the compulsory conversion price will be formulated in accordance with applicable PRC laws and regulations.

(3) Principles for determining the ratio and number for compulsory conversion

Upon the compulsory conversion of the Domestic Preference Shares under this Tranche, the formula for determining the number of shares to be converted shall be:  $Q = V/P$ .

Where, “Q” denotes the number of A shares that shall be converted from the Domestic Preference Shares under this Tranche held by each Domestic Preference Shareholder; “V” denotes the total par value of the Preference Shares under this Tranche to be converted under the compulsory conversion; and “P” denotes the effective compulsory conversion price for the Preference Shares under this Tranche.

Any fractional share less than one ordinary share resulting from the compulsory conversion of the Domestic Preference Shares under this Tranche shall be handled by the Bank according to relevant regulations. If partly converted, the Domestic Preference Shares under this Tranche shall be converted into A Shares on a pro rata basis.

		<p>(4) Compulsory conversion period</p> <p>The period for compulsory conversion of the Domestic Preference Shares under this Tranche commences on the first trading day immediately following the completion date of the issuance of the Domestic Preference Shares under this Tranche and ends on the date of redemption or conversion of all the Domestic Preference Shares under this Tranche.</p> <p>(5) Attribution of dividends of ordinary shares in the year of compulsory conversion</p> <p>The new A Shares of the Bank to be issued as a result of the compulsory conversion of the Domestic Preference Shares under this Tranche will enjoy rights and interests pari passu with the existing issued A Shares, and all Ordinary Shareholders (including the holders of the A Shares resulting from the compulsory conversion of the Domestic Preference Shares) whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period and have equal rights and interests.</p>
14	Redemption Arrangement	<p>(1) Holder of the redemption right</p> <p>The Bank shall have the right to redeem the Domestic Preference Shares under this Tranche subject to obtaining the approval of the CBIRC. Holders of the Domestic Preference Shares under this Tranche have no right to request the Bank to redeem the Preference Shares.</p> <p>(2) Redemption conditions and period</p> <p>The Domestic Preference Shares under this Tranche have no maturity date. Pursuant to relevant regulations of the CBIRC, the Bank has no plan to exercise the right to redeem the Domestic Preference Shares under this Tranche. Therefore, the investors shall not have the expectation that the Bank will exercise the right to redeem the Domestic Preference Shares under this Tranche.</p>



		<p>However, subject to the approval of the CBIRC, the Bank shall have the right to redeem all or part of the Domestic Preference Shares under this Tranche after expiry of five years after the date of issuance. The redemption term of the Domestic Preference Shares under this Tranche starts from the fifth anniversary of the date of issuance of the Domestic Preference Shares under this Tranche and ends on the date when all of the Domestic Preference Shares under this Tranche are redeemed or converted. The Board have been authorized by the Shareholders' meeting (whose authorization can be further delegated) to decide on any redemption during the redemption term in accordance with market conditions and other factors, and handle, with full authority, all the matters relating to redemption in accordance with the approval of the CBIRC.</p> <p>The Bank's exercise of its redemption rights shall be subject to the following conditions: (1) the Bank uses capital instruments of equal or higher quality to replace the redeemed Domestic Preference Shares under this Tranche and such replacement shall only be made when the Bank has a sustainable income generating capacity; or (2) the Bank's regulatory capital level after exercising such redemption rights will still remain substantially higher than the regulatory capital requirements prescribed by the CBIRC.</p> <p>(3) Redemption price and principles for pricing</p> <p>The redemption price of the Domestic Preference Shares under this Tranche will be an amount equal to the par value plus the amount of dividend declared but unpaid for the current dividend period.</p>
15	Rating Arrangement	<p>Pursuant to the <i>Credit Rating Report of the Preference Shares (the Second Tranche) of Bank of China Limited for Non-public Issuance in 2019</i> issued by the China Chengxin Securities Rating Co., Ltd. based on its comprehensive analysis and evaluation of the operational condition of the Bank and in accordance with relevant regulatory rules, the Bank's issuer credit rating is AAA and the Bank's rating outlook is "stable", and the credit rating of the Preference Shares under this Tranche of the Bank is AA+.</p> <p>China Chengxin Securities Rating Co., Ltd. will continue to conduct follow-up ratings on the credit risk of the Preference Shares under this Tranche during the validity of the credit rating of the Preference Shares under this Tranche or the term of the Preference Shares under this Tranche.</p>
16	Guarantee Arrangement	No guarantee arrangement will be provided in relation to the proposed issuance of the Preference Shares under this Tranche.
17	Trading Arrangement	The Bank will apply for non-public transfer and trading of the Preference Shares under this Tranche on a designated trading platform of the Shanghai Stock Exchange.



18	Recovery of Voting Rights	<p>(1) Voting rights recovery clause</p> <p>According to the Articles of Association, if the Bank fails to pay dividends of the Preference Shares under this Tranche as agreed for three financial years in aggregate or two consecutive financial years after the issuance of the Preference Shares under this Tranche, the holders of the Preference Shares shall have the same right to attend and vote at the Shareholders' meetings as ordinary Shareholders from the date immediately following the day when the Shareholders' meeting has approved the profit distribution plan for the year which stipulates not to pay the agreed dividends on the Preference Shares under this Tranche.</p> <p>After the voting rights of the Preference Shares under this Tranche are recovered, each holder of such Preference Shares shall be entitled to such number of votes as would result from the simulated conversion of such Preference Shares under this Tranche in accordance with the simulated conversion price below, and the holder of such Preference Shares under this Tranche may cast such votes at the Shareholders' meeting together with Ordinary Shareholders.</p> <p>The initial simulated conversion price is determined in the same way as initial compulsory conversion price is determined under Item "13. Conversion Arrangement". The number of votes resulting from such simulated conversion (i.e., the number of votes to which the holder of each such Preference Share will be entitled) shall be calculated by the formula: <math>Q = V/E</math> (rounded to the nearest one ordinary share in rounding down method).</p> <p>Where, V means the total par value of the Preference Shares held by such Shareholder; E means the effective simulated conversion price.</p> <p>After the issuance of the Preference Shares under this Tranche, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference share, convertible corporate bond etc.)), or rights issue for A Shares, the Bank will make an adjustment to the simulated conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above. The detailed adjustment method shall be consistent with the adjustment method applicable to the compulsory conversion price as specified in "13. Conversion Arrangement".</p>
----	---------------------------	---

		<p>(2) Cancellation of the recovered voting rights</p> <p>After the voting rights of the Preference Shares under this Tranche are recovered, the voting rights shall be exercisable until the Bank has fully paid the dividends payable for the year. The Articles of Association may stipulate other circumstances where voting rights attached to the Preference Shares may be recovered.</p>
19	Use of Proceeds	Upon approval by relevant regulatory authorities, the capital raised from the Preference Shares under this Tranche will be wholly used to replenish the Bank's additional tier-1 capital and increase its CAR, after deducting the issuance fees.
20	Explanations on Other Special Terms	None.

### **III. Compliance of the Process of the Issuance of the Preference Shares under this Tranche and the Subscribers**

King & Wood Mallesons, the Bank's legal counsel is of the view that: the Issuance has obtained the necessary internal approvals from the Issuer and has obtained the approvals from the CBIRC and the CSRC. The Issuer can conduct the Issuance of this tranche in accordance with the relevant approvals of the CBIRC and CSRC; the legal documents (including the Subscription Invitations and the Application and Quotation Sheets) produced and signed in respect of this tranche are legal and valid; the process of the Issuance is fair and equal; the offering results, including the subscribers, the dividend rate, the number of Preference Shares, the allotment results for all subscribers, determined by the Issuance process are fair, equal and in compliance with the *Experimental Administrative Measures on Preference Shares* and other relevant laws and regulations; the application for the trading of the Preference Shares under this tranche on the Shanghai Stock Exchange is subject to the approval of the Shanghai Stock Exchange.

### **IV. Commitment by all Directors Regarding Remedial Measures upon the Issuance**

- (1) Operating status, development trend, key risks and improvement measures of the Bank's existing business segments

The Bank's core business segments include corporate banking, personal banking, and financial market business.

With respect to corporate banking business, the Bank makes great efforts to expedite the transformation of its corporate banking business. It promotes product innovation, continuously optimizes customer structure, further expands its customer base, enhances its diversified operations as well as the integration of its domestic and overseas operations and improves its global service capabilities for corporate banking customers, to achieve steady development in its corporate banking business. With respect to personal banking business, the Bank seizes opportunities arising from the steady and positive development momentum of China's macro-economy, promotes innovation, focuses on its characteristic strengths, continuously enhances market competitiveness of personal banking business and further improves customer experience. With respect to financial market business, the Bank actively aligns itself with trends towards interest rate and exchange rate marketisation and RMB internationalisation, closely tracks dynamics in financial markets, leveraged its specialised advantages, continues to deepen the adjustment of its business structure, enhances its efforts in financial market innovation and makes steady progress in compliance with international regulatory requirements, to further enhance its influence in financial markets.

The Bank's business operations are mainly subject to risks including credit risk, market risk, liquidity risk, reputational risk and operational risk. The Bank actively adapts to the new stage of high-quality development of economy and continues to improve its risk management system in line with its business model. The Bank comprehensively implements local and overseas regulatory requirements, earnestly carries out risk inspection and pushes forward its compliance work of effective risk data aggregation and risk reporting, so as to ensure compliant operations. In addition, the Bank improves its comprehensive risk management mechanism, strengthens the consolidated risk management of the Group and refines the risk assessment process for new products. It promotes the implementation of advanced capital management approaches, actively refines and updates its risk measurement model and increases the management coverage ratio of the internal ratings-based approach. In addition, the Bank speeds up the construction of its risk execution information system, promotes the construction of its risk database, strengthens its risk data governance, improves its risk reporting capability and earnestly promotes the application of big data and other novel technologies in risk management.

- (2) Detailed measures on improving the daily operation efficiency, reducing operating cost and improving business performance of the Bank

The Bank has not made any commitment on the business performance with respect to the issuance of Preference Shares. In order to effectively utilize the proceeds of the Preference Share issuance, fully protect the interests of Shareholders of the Bank, especially minority Shareholders, the Bank will take the following measures to enhance its business performance and the medium to long term investment returns for Shareholders:

- i. Sturdy implementation of strategy. The Bank will persistently follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and earnestly implement the national decisions and plans with the focus on the strategic goal of building “a world first-class bank in the new era”. The Bank will fully utilize its competitive advantages in globalization and business integration, to push ahead with key work related to the tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform. The Bank will persistently enable advancement through technology, drive development through innovation, deliver performance through transformation and enhance strength through reform. Last but not least, the Bank will adhere to the general principle of pursuing progress while ensuring stability and devote efforts in all areas regarding reform and development.
- ii. To strengthen internal capital generation capabilities. To continuously promote the Risk-Return balance system which centers on capital and build new governance system of value creation, the Bank aims to develop the realization of high quality development with less capital consumption, more intensive operations, and more effective management. The Bank is dedicated to sustaining value creation, improving internal management system, and increasing the standard of precise capital management, in order to accelerate the development of capital-light business and upgrade the level of value creation.
- iii. To effectively prevent and mitigate risks. Taking account of the overall economic and social development situation, the Bank attaches greater importance to the prevention and mitigation of financial risks. The Bank continues to improve our comprehensive risk management system in order to contribute to financial stability. The Bank effectively guards against credit risks, steps up the risk control and prevention in key areas, makes further moves to mitigate the potential risks, deals with existing non-performing assets, and makes consistent efforts in compliance and internal control.
- iv. To effectively manage and use proceeds from the issuance of the Preference Shares. The Bank will increase management on the proceed and fully leverage the proceeds from the issuance of the Preference Shares, so as to effectively remedy the dilution on current returns of the holders of ordinary shares as an effect of the issuance of the Preference Shares and to increase the level of returns on capital.

- v. To maintain stable return for Shareholders. The Bank attaches great importance to the protection of Shareholder's interest, and will maintain a continuous and stable dividend distribution policy, to provide Shareholders with long term value.

The Bank believes that the issuance of the Preference Shares will strengthen its capital base, improve its capital structure, to meet the increased capital requirements imposed by the banking regulatory authorities and meet the needs of the sustainable development of the Bank, and thus has great significance in promoting healthy and sustainable development of the Bank.

**The Board of Directors of  
Bank of China Limited**

Beijing, the PRC  
5 September 2019

*As at the date of this announcement, the directors of the Bank are: Liu Liange, Wu Fulin, Lin Jingzhen, Zhao Jie\*, Xiao Lihong\*, Wang Xiaoya\*, Liao Qiang\*, Zhang Jiangang\*, Wang Changyun#, Angela Chao#, Jiang Guohua# and Martin Cheung Kong Liao#.*

\* *Non-executive directors*

# *Independent non-executive directors*