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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

Reference is made to the announcement (the "**Announcement**") entitled Announcements of Resolutions Passed by the Board of Directors published by the Bank on 13th May 2014. Unless otherwise specified, the terms defined in the Announcement shall have the same meaning in this announcement.

The Board of Directors of the Bank is pleased to announce that, as at the date of this announcement, the Bank has received the proceeds of the Issuance of Preference Shares amounting to RMB32,000,000,000 (including the offering expenses totaling RMB38,190,000). 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 the Issuance are 30 qualified investors in compliance with the requirements of the *Experimental Administrative Measures on Preference Shares* and other laws and regulations. The range of all the subscribers' subscription amounts is between RMB200,000,000 and RMB5,000,000,000. No preferential offering has been arranged under the Issuance to existing shareholders.

II. The Type and Key Terms of the Issuance of Preference Shares

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 600 million shares in total, and the number of the Preference Shares issued in 2014 is 320 million.	4	Issuance Size	The issuance size shall not exceed RMB60 billion in total, among which the tranche issued in 2014 is RMB32 billion.
5	Dividend Accumulation	No	6	Participation in Distribution of Remaining Profit	No
7	Dividend Adjustment	No	8	Term	The Preference Shares have no maturity.
9	Method of Issuance	Upon approval by the CBRC and CSRC, the Preference Shares will be issued by non-public issuance according to relevant procedures. The Preference Shares can be issued based on one approval in multiple tranches upon the same terms, except for the stated dividend rate. If the Preference Shares are issued in several tranches, each tranche of issuance is not subject to the approval of holders of the issued Preference Shares of the Bank.			
10	Determination Principles of Dividend Rate	The dividend rate shall be fixed at 6.0% and remain unchanged during the life of the Preference Shares. The dividend rate of the Preference Shares is no higher than the Bank's average annual weighted return on equity for the two most recent financial years prior to the issuance.			

11	Conditions for Dividend Distribution	<ol style="list-style-type: none"> 1. Pursuant to its Articles of Association, the Bank may distribute dividends to the holders of Preference Shares on the premise that its capital adequacy ratio meets regulatory requirements, if there are distributable after-tax profits¹ left after recovering losses and making allocations to its statutory common reserve fund and general reserves. The holders of Preference Shares shall take precedence over those of ordinary shares in distribution of dividends. Dividend payment is not linked to the Bank's rating, nor does it vary with the rating. 2. The Bank shall be entitled to cancel any dividend on the Preference Shares, and such cancellation shall not be deemed a default. The Bank may at its discretion use the funds arising from the cancellation of dividend distribution to repay other debts due. If the Bank resolves to cancel the distribution of part or all of the dividends on Preference Shares, the Bank shall inform the holders of the Preference Shares at least 10 business days prior to dividend distribution date. If dividend is to be cancelled partially, the remaining dividend will be paid on a pro rata basis. 3. The Bank shall distribute dividends for the Preference Shares in cash. The Board of Directors is authorized by the Shareholders' meeting to determine and handle distribution of dividends to the holders of the Preference Shares in accordance with the issuance plan to the extent that it is permitted under the relevant laws, and the Articles of Association, allowed by the relevant regulatory authorities and complies with the framework and principles approved in the Shareholders' meeting. However, any cancellation of dividend distribution for the Preference Shares requires a resolution of the Shareholders' meeting, and such resolution shall be passed by Ordinary Shareholders (including Preference Shareholders whose voting rights have been recovered). If the Shareholders' meeting passes such a resolution, the Bank shall not, from the date of the resolution, distribute dividends on ordinary shares until the dividends on Preference Shares have been fully distributed² according to the terms of issuance. Except for restrictions on the distribution of dividends on ordinary shares, cancellation of dividend distribution for the Preference Shares shall not impose any other restrictions on the Bank.
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¹ The amount of after-tax profits available for distribution is the lesser of the following amounts, being the amount of the profit for distribution calculated based on the financial statements of the parent company prepared in accordance with Chinese accounting standards and regulations, and the amount of the profit for distribution calculated based on the financial statements of the parent company prepared in accordance with international accounting standards.

² Dividends on Preference Shares have been fully distributed means that, as the dividends on Preference Shares are to be paid on a non-cumulative basis, if the Bank, having cancelled dividend distributions for a period, decides to resume payment of dividends to preference shareholders, the Bank will not make distributions for the cancelled dividends in previous years.

12	Method of Dividend Payment	<p>1. Annual Dividend Calculation Annual dividend is the dividend entitled to by the Preference Shareholders based on the aggregate nominal value of the Preference Shares, for each year after the date of issuance of the Preference Shares. Annual dividend is calculated by the formula: $I=V \times i$. I: the annual dividend amount; V: the aggregate nominal value of the Preference Shares; i: the dividend rate.</p> <p>2. Annual Dividend Payment Any dividends of the Preference Shares will be distributed on an annual basis. Dividends shall begin to accrue from the date of issuance of the Preference Shares, i.e. 21st Nov 2014. The dividend distribution date shall be 21st Nov of each year. If any dividend distribution date falls on a statutory holiday, it shall be postponed to the next business day and the interest of payable dividends shall not be accrued during such postponement period. In the event that any dividends on the Preference Shares need to be calculated and distributed depending on the circumstances prior to the agreed dividend distribution date, such dividend shall be calculated based on the actual holding period of the Preference Shares, starting from the preceding dividend distribution date and each year shall be regarded as having 360 days for the purpose of calculating dividends. Taxes on the holders of the Preference Shares for receiving such dividends shall be borne by such Shareholders.</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 Preference Shares shall immediately, in accordance with the agreement, be wholly or partly converted into ordinary 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 Preference Shares shall, in accordance with the agreement, be immediately converted into ordinary A Shares. "Tier-2 Capital Instrument Trigger Event" means either of the following circumstances (whichever is earlier): (1) the CBRC 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>When the preference shares under the Issuance are to be mandatorily converted into ordinary shares, the Bank shall report the matter of conversion to the CBRC for vetting and approval, and perform its obligations of information disclosure pursuant to Article 67 of the Securities Law of The People’s Republic of China and relevant provisions of the CSRC, such as provisional reports, announcements, among others. The Board of Directors is authorized by Shareholders’ meeting to ensure when the Trigger Event occurs, the Bank can immediately issue specific number of ordinary shares in accordance with the agreement. If corporate control is changed due to such compulsory conversion, it shall comply with the related CSRC regulation.</p> <p>2. Compulsory Conversion Term The compulsory conversion term of the Preference Shares starts on the first trading day after the completion of the Issuance and ends on the date when all of the Preference Shares are redeemed or converted. The Board of Directors is authorized by Shareholders’ meeting to handle, with full authority, all the matters relating to the conversion of the Preference Shares, if any trigger event of compulsory conversion takes place during the compulsory conversion term. The matters include but are not limited to the issuance of corresponding ordinary A Shares, amendments to the relevant provisions of the Articles of Association, and completion of the relevant approval formalities with the CBRC and the relevant registration formalities with the industrial and commercial registration authority in relation to the change to the registered capital.</p> <p>3. Compulsory Conversion Price The initial compulsory conversion price of the Preference Shares shall be the average trading price of ordinary A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the issuance of the Preference Shares, i.e. RMB2.62 per share. After the issuance of the Preference Shares, 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 shares, convertible bonds etc.)), or rights issue for ordinary A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in accordance with the sequence of occurrences of the events above. However, the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary shares. The specific adjustment method is set out below: In the event of any distribution of bonus shares or recapitalization: $P1 = P0 \times N / (N + n)$; In the event of any new issuance of A Shares at a price lower than the market price or rights issue for A Shares: $P1 = P0 \times (N + k) / (N + n)$; $k = n \times A / M$;</p>
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Where, P0 means the compulsory conversion price effective immediately preceding such adjustment and in the case of initial adjustment P0 equals the initial compulsory conversion price, i.e. RMB2.62 per share; N means the total number of ordinary shares of the Bank before such distribution of bonus shares, recapitalization, issuance of new shares or rights issue of ordinary A Shares; n means the newly increased number of ordinary A Shares distributed as bonus shares, recapitalized, issued as new shares or subject to a rights issue; A means the price of the new A Shares issued under such new issuance or rights issue; M means the closing price of the ordinary A Shares on the trading day prior to the announcement of such new issuance or rights issue of ordinary A Shares (i.e., the announcement of effective and irrevocable new issuance and rights issue); P1 means the compulsory conversion price effective immediately after such adjustment. If the Bank redeems its shares, or is subject to a merger, division or any other circumstances that may lead to changes in the Bank's share class, number and/or Shareholders' equity and thereby affect the rights and interests of the holders of the Preference Shares, the Bank is entitled, taking into account the specific circumstances, to adjust the compulsory conversion price in a fair, just and equitable manner in order to fully protect their rights and interests. 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 and relevant rules of the CBRC and the CSRC.

4. Compulsory Conversion Rate and Calculation Principles

In the event of compulsory conversion of the Preference Shares, the number of ordinary shares resulting from such compulsory conversion is calculated according to the formula: $Q=V/P$.

Where, V means the total nominal value of the Preference Shares to be converted under the compulsory conversion; P means as at the time of compulsory conversion the effective compulsory conversion price, after the cumulative adjustment made in accordance with the adjustment measure described in "3. Compulsory conversion price". If no change is applied to compulsory conversion price, P means the initial compulsory conversion price, i.e. RMB2.62 per share.

Any fractional share less than one share resulting from the compulsory conversion of the Preference Shares shall be settled by the Bank in cash representing the sum of the portion of the nominal value of such fractional shares and the relevant portion of dividends accrued to such fractional share, which shall be calculated based on the actual holding period of such Preference Shares, starting from the preceding dividend distribution date on a 360-day per year basis. The portion of Preference Shares compulsorily converted shall not receive any dividends.

If partly converted, the Preference Shares shall be converted into ordinary A Shares on a pro rata basis.

5. Attribution of Relevant Dividends in the Year of Compulsory Conversion

The ordinary A Shares resulting from any compulsory conversion of the Preference Shares shall bear the same rights and interests as the existing ordinary A Shares. All the ordinary Shareholders (including the holders of the ordinary A Shares resulting from the compulsory conversion of the Preference Shares) registered on the record date of dividend distribution may participate and have equal rights and interests in relation to the dividend distribution for the current period.

14	Redemption Arrangement	<p>1. Conditional Redemption Clause and Redemption Term</p> <p>The Preference Shares have no maturity date. Pursuant to relevant regulations of the CBRC, the Bank has no plan to exercise the right to redeem the Preference Shares. Therefore, the investors shall not have the expectation that the Bank will exercise the right to redeem the Preference Shares.</p> <p>However, after the expiry of five years from the date of issuance and subject to the approval of the CBRC, the Bank shall have the right to redeem all or part of the Preference Shares on each year's dividend distribution date of the Preference Shares (including the dividend distribution date of the 5th year after the date of issuance). The redemption term of the Preference Shares starts from the fifth anniversary of the date of issuance of the Preference Shares and ends on the date when all of the Preference Shares are redeemed or converted. The Board of Directors is authorized by the Shareholders' meeting 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 CBRC. If such redemption is partial, the holders of the Preference Shares will be paid on a pro rata basis.</p> <p>The Bank's exercise of its redemption right shall be subject to the following conditions: (i) the Bank uses or has capital instruments of equal or higher quality to replace the redeemed Preference Shares and such replacement shall only be made when the Bank has a sustainable income generating capacity; or (ii) the Bank's regulatory capital after such redemption will remain substantially higher than the regulatory capital requirements prescribed by the CBRC.</p> <p>If redemption right shall be exercised, relevant regulations by the CBRC, the Shanghai Stock Exchange and other relevant regulatory bodies will be followed.</p> <p>2. Redemption Price</p> <p>During the redemption term, the Bank shall have the right to redeem all or part of the Preference Shares which have not been converted, at the nominal value of the Preference Shares plus dividends payable for the period³. If the Bank has not declared dividends for the period, the redemption price shall be the nominal value of the Preference Shares.</p> <p>3. Holder of the redemption right</p> <p>The redemption right of the Preference Shares is at the option of the Bank and may only be exercised with the prior approval of the CBRC. The holders of the Preference Shares have no right to request the Bank to redeem the Preference Shares.</p>
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³ This refers to dividends which have been declared in the relevant period but remain undistributed.

15	Rating Arrangement	Based on the comprehensive analysis issued by Dagong Global Credit Rating Co. Ltd., i.e., the Credit Rating Report of the Preference Shares of Bank of China Limited for Nonpublic Issuance in 2014, the Preference Shares of the Bank are rated as AA+, the Bank’s issuer credit rating is AAA and the Bank’s rating outlook is “stable”. Since the date of the issuance of the rating report and till the date when all Preference Shares are redeemed, Dagong Global Credit Rating Co. Ltd. will continue to conduct regular and ad hoc follow-up ratings of the Preference Shares.
16	Guarantee Arrangement	There is no guarantee in relation to the Issuance.
17	Restrictions on Transfer of Preference Shares	<ol style="list-style-type: none"> 1. Lock-up Period The Preference Shares are not subject to lock-up period. 2. Restriction on Investor Eligibility The restriction on investor eligibility in the transfer and trading of the Preference Shares should be in line with that in the issuance. The total number of investors holding the Preference Shares on the same terms shall not exceed 200 after any transfer or trading of the Preference Shares.
18	Transfer Arrangement	After the issuance of the Preference Shares, the Bank will apply for non-public transfer and trading of the Preference Shares on the Shanghai Stock Exchange. The detailed arrangement shall be published in another announcement.
19	Recovery of Voting Rights	<ol style="list-style-type: none"> 1. Voting Rights Recovery Clause According to the Articles of Association, if the Bank fails to pay dividends to the holders of the Preference Shares as agreed for three financial years in aggregate or two consecutive financial years after the issuance of the Preference Shares, the holders of the Preference Shares shall have the same right to attend and vote at Shareholders’ meetings as ordinary Shareholders from the date immediately following the day when the ordinary Shareholders (including the holders of Preference Shares whose voting rights have been recovered) at Shareholders’ meeting have approved the profit distribution plan for the year which stipulates not to pay the agreed dividends on the Preference Shares. After the voting rights of the Preference Shares 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 in accordance with the simulated conversion price below, and the holder of such Preference Share may cast such votes at the Shareholders’ meeting together with ordinary Shareholders. The initial simulated conversion price is determined in the same way as initial compulsory conversion price is determined. 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: $Q=V/E$ (rounded to the nearest one ordinary share in rounding down method).

		<p>Where, V means the total nominal value of the Preference Shares held by such Shareholder; E means the effective simulated conversion price.</p> <p>After the issuance of Preference Shares, 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 shares, convertible bonds etc.)), or rights issue for ordinary 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.</p> <p>2. Cancellation of the Recovered Voting Rights</p> <p>After the voting rights of the Preference Shares 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>
20	Use of Proceeds	The total amount of the proceeds shall not be more than RMB60 billion, among which the amount of proceeds in 2014 shall not be more than RMB32 billion. Upon approval by relevant regulators, the proceeds from the issuance of the Preference Shares will be wholly used to replenish the Bank's additional tier-1 capital and increase its CAR, after deducting the issuance fees.
21	Explanations on Other Special Terms	None.

III. Compliance of the Process of the Issuance and the Subscribers

King & Wood Mallesons, the issuer's legal counsel for the Issuance is of the view that: the Issuance has obtained the necessary internal approvals from the Issuer and has obtained the approvals from the CBRC and the CSRC; the legal documents (including the Subscription Invitations and the Application and Quotation Sheets) produced and signed in respect of the Issuance 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 CSRC's *Experimental Administrative Measures on Preference Shares* and other relevant laws and regulations; the application for the trading of the Preference Shares 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

The Bank does not make any performance commitments in respect of this issuance of Preference Shares. In order to ensure effective utilization of raised funds and fully protect the interests of Shareholders (particularly, small and medium Shareholders), the Bank will adhere to the following principles and adopt the following measures to further improve the business performance of the Bank and seek medium and long term investment returns for Shareholders.

1. To adhere to relevant capital management principles and allocate capital in a reasonable manner. The Bank will adhere to the principles of “maintaining capital adequacy, continuous development, optimal capital allocation, enhancing efficiency, intensive management and improving performance” in its capital management, allocate capital in a reasonable manner based on the requirements of the development strategy of the Group, steadily improve capital utilization and capital returns, and maintain appropriate risk exposure and risk management in alignment with its capital level.
2. To implement budget management on a comprehensive scale and proactively improve the efficiency of capital utilization. The Bank will continue to implement comprehensive capital budget management, strengthen the assessment and application of economic capital indices, optimize capital allocation by improving the allocation mechanism to link capital utilization to returns, enhance the awareness of various business units of capital budgeting, take proactive measures to improve the efficiency of capital utilization, enhance profit-making capabilities, and to improve the capital returns of the Group.
3. To adopt various measures to adjust and optimize its asset structure: the Bank will attach equal importance to its capital reserves and capital increases, step up efforts in adjusting and optimizing its asset structure, develop capital efficient businesses and improve its capital utilization. In particular, the Bank will speed up the adjustment of loan structures and increase micro-loans and loans to small and medium enterprises as appropriate; reasonably allocate credit resources and seek to increase the overall investment returns for customers; strictly control the size of high risk-weighted assets and develop capital efficient intermediate businesses; emphasize the requirements of risk mitigation through the provision of guarantees, mortgages or pledges for credit extensions, expand risk mitigation coverage and reduce the average risk weight.
4. To regulate the management and use of the raised funds. Due to the unique features of commercial banking business, the raised funds will be used to replenish capital rather than being used specifically for project investments. Therefore it is impossible to evaluate their use and results separately. At the same time, as all of the raised funds will be used to replenish other tier-1 capital, there will be no change to the use of raised funds. The Bank will enhance the management of raised funds, use the raised funds reasonably and effectively, and actively increase the level of capital returns.

5. To maintain stable Shareholder returns policies. The Bank attaches great importance to the protection of the rights and interests of Shareholders, and will maintain the continuity and stability of dividend distribution policies and persist in creating long-term value for Shareholders.

By Order of the Board
Bank of China Limited
YEUNG Cheung Ying
Company Secretary

Beijing, the PRC
28 November 2014

As at the date of this announcement, the directors of the Bank are: Tian Guoli, Chen Siqing, Li Zaohang, Sun Zhijun, Zhang Xiangdong*, Zhang Qi*, Wang Yong*, Wang Wei*, Liu Xianghui*, Chow Man Yiu, Paul#, Jackson Tai#, Nout Wellink#, Lu Zhengfei# and Leung Cheuk Yan#.*

* *Non-executive directors*

Independent non-executive directors