



中国农业发展银行

AGRICULTURAL DEVELOPMENT BANK OF CHINA

(a statutory financial institution organised under the laws of the People's Republic of China)

U.S.\$ 700,000,000 Floating Rate Bonds due 2021
CNY 1,200,000,000 4.16 per cent. Bonds due 2020

Issue Price for the USD Bonds: 100.00 per cent.

Issue Price for the CNY Bonds: 100.00 per cent.

These Listing Particulars (the “**Listing Particulars**”) are prepared in connection with (i) the floating rate bonds due 2021 in the aggregate principal amount of U.S.\$700,000,000 (the “**USD Bonds**”), and (ii) the 4.16 per cent. bonds due 2020 in the aggregate principal amount of CNY 1,200,000,000 (the “**CNY Bonds**”) and together with the USD Bonds, the “**Bonds**”) issued on 27 September 2018 (the “**Issue Date**”) by Agricultural Development Bank of China (the “**Issuer**” or the “**Bank**”). The Original Offering Circular in respect of the Bonds dated 19 September 2018 (the “**Offering Circular**”), is set out in Annex hereto and forms part of these Listing Particulars. Terms defined in the Offering Circular have the same meaning when used in these Listing Particulars.

An application has been made to the Luxembourg Stock Exchange (the “**LuxSE**”) in its capacity as competent authority under Part IV of the Luxembourg Law dated 10 July 2005 on prospectus for securities, as amended (the “**Prospectus Law**”) and the rules and regulations of the LuxSE (the “**LuxSE Rules**”) to approve these Listing Particulars, the Offering Circular as a prospectus. An application has also been made for the Bonds to be admitted to trading on the Euro MTF market, which is a market operated by the LuxSE, and listed on the Official List of the LuxSE (the “**Official List**”). The Euro MTF market is not a regulated market pursuant to the provisions of the Directive 2004/39/EC. This Prospectus comprises information about the Issuer and the Bonds for the purposes of Part 2 of the LuxSE Rules.

This document does not constitute a prospectus for the purposes of article 3 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). This Prospectus may only be used for the purposes for which it has been published.

The Bonds may not be offered to the public or indirectly to the public unless the requirements of the Prospectus Law have been satisfied.

The LuxSE assumes no responsibility on the correctness of any of the statements made or opinions expressed, or reports contained in this Prospectus. Admission to trading on the Euro MTF market and listing on the Official List of the LuxSE is not to be taken as an indication of the merits of the Issuer or the Bonds. The Issuer accepts responsibility for the information contained in the Offering Circular and these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

An unofficial translation of the consolidated financial statements of the Issuer for the year ended on 31 December 2017 appended to these Listing Particulars have been audited by its independent auditor, Grant Thornton Certified Public Accountants, as stated in its report appended herein.

S&P Global Ratings Inc. (“**S&P**”) assigned a rating of A+ to the Bonds. S&P is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at anytime by the assigning rating agency.

The Issuer is duly incorporated under the laws of the People's Republic of China and operates in conformity with its constitution. The Fiscal Agency Agreement, the Deeds of Covenant (as each term defined in the Offering Circular) and the Bonds and any non-contractual obligations arising out or in connection with these documents are governed by, and shall be construed in accordance with, English law. Notwithstanding the foregoing, the Bonds conform with the laws of the People's Republic of China and are duly authorised according to the requirements of the Issuer's constitution. All necessary statutory and other consents have been obtained.

Each series of Bonds will be represented by beneficial interests in a global bond certificate (each a “**Global Bond Certificate**” and together the “**Global Bond Certificates**”) in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Bond Certificates will be shown on, and transfer thereof will be affected only through, records maintained by Euroclear and Clearstream. Except as described herein, individual certificates for the Bonds of the relevant series will not be issued in exchange for interests in the relevant Global Bond Certificate.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of these Listing Particulars, see “**Subscription and Sale**” of these Listing Particulars.

The Bonds are listed on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**” or the “**HKSE**”) by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong).

These Listing Particulars will be published on the website of the LuxSE (www.bourse.lu) and will be available free of charge at the specified office of the Issuer at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, PRC. For the avoidance of doubt, the content of the websites included in these Listing Particulars are for information purposes only and does not form part of these Listing Particulars.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

| Bank of China | | Standard Chartered Bank | | Bank of Communications |
|--|----------------------------|--|--------------------------|-------------------------------|
| Joint Bookrunners and Joint Lead Managers | | | | |
| Crédit Agricole CIB | BOCOM International | Agricultural Bank of China Limited Hong Kong Branch | ABC International | ICBC (Asia) |
| HSBC | Mizuho Securities | Commerzbank | Citigroup | J.P. Morgan |

The date of these Listing Particulars is 28 September 2018.

This document includes particulars given in compliance with the Rules and Regulations of the Luxembourg Stock Exchange for the purpose of giving information with regard to the Issuer. The Issuer accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The Issuer, having made all reasonable enquiries, confirms that (i) these Listing Particulars contains all material information with respect to the Issuer, and to the Bonds necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Bonds), (ii) all statements of fact relating to the Issuer and to the Bonds contained in these Listing Particulars are in every material particular true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer and to the Bonds the omission of which would in the context of the issue of the Bonds make any statement in these Listing Particulars misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation with regard to the Issuer contained in these Listing Particulars are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions at the material time and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such statements.

These Listing Particulars have been prepared by the Issuer solely in connection with admission to trading on the Euro MTF market and listing on the Official List of the LuxSE of the Bonds described in these Listing Particulars.

No action is being taken to permit a public offering of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of these Listing Particulars, see “*Subscription and Sale*” of these Listing Particulars.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Bank of China, Standard Chartered Bank and Bank of Communications Co., Ltd. Hong Kong Branch (the “Joint Global Coordinators”), Crédit Agricole Corporate and Investment Bank, BOCOM International Securities Limited, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Commerzbank Aktiengesellschaft, Citigroup Global Markets Limited and J.P. Morgan Securities plc (the “Joint Bookrunners”, together with Joint Global Coordinators the “Joint Lead Managers”). Neither the delivery of these Listing Particulars nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in these Listing Particulars, and nothing contained in these Listing Particulars is, or shall be relied upon as, a promise, representation or warranty, express or implied, by the Joint Lead Managers or the Agents. Each of the Joint Lead Managers has not independently verified any of the information contained in these Listing Particulars and can give no assurance that this information is accurate, truthful or complete. These Listing Particulars are not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Joint Lead Managers or the Agents that any recipient of these Listing Particulars should purchase the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of these Listing Particulars. The Joint Lead Managers and the Agents and their respective affiliates, directors or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of these Listing Particulars or any such statement. None of the Joint Lead Managers or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial conditions or affairs of the Issuer during the life of the arrangements contemplated by these Listing Particulars 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.

Listing of the Bonds on LuxSE is not to be taken as an indication of the merits of the Issuer or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” in the Listing Particulars for a discussion of certain factors to be considered in connection with an investment in the Bonds.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS AS THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE, BUT IN SO DOING, THE STABILISING MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE BANK. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

TABLE OF CONTENTS

| | Page |
|-------------------------------|-------------|
| TAXATION | 4 |
| OTHER INFORMATION | 7 |
| EEA SELLING RESTRICTIONS..... | 9 |
| ANNEX A | 10 |

TAXATION

Luxembourg

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposal of the Bonds under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

Withholding Tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Bondholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Bondholders, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Bonds.

Luxembourg residents

In accordance with the law of 23 December 2005, as amended, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

Income Taxation on Principal, Interest, Gains on Sales or Redemption

Luxembourg tax residency of the Bondholders

Bondholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Bonds.

Taxation of Luxembourg non-residents

Bondholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Bonds is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Bonds or capital gains realised upon disposal or repayment of the Bonds.

Taxation of Luxembourg residents

Bondholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Interest received by an individual resident in Luxembourg is, in principle, reportable and taxable at the progressive rate unless the interest has been subject to withholding tax (see above “**Withholding Tax**” - *Luxembourg residents*) or to the self-applied tax, if applicable. Indeed, in accordance with the Luxembourg law of 23 December 2005, as amended, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg, or a Member State of the European Economic Area other than an EU Member State.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth. Individual Luxembourg resident Bondholders receiving the interest as business income must include this interest in their taxable basis. If applicable, the 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Bondholders are not subject to taxation on capital gains upon the disposal of the Bonds, unless the disposal of the Bonds precedes the acquisition of the Bonds or the Bonds are disposed of within six months of the date of acquisition of these Bonds. Upon the sale, redemption or exchange of the Bonds, accrued but unpaid interest will be subject to the 20 per cent. withholding tax or the self-applied tax, if applicable. Individual Luxembourg resident Bondholders receiving the interest as business income must include the portion of the price corresponding to this interest in their taxable income. The 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident corporate Bondholders, or non-resident Bondholders which have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Bonds is connected, must for income tax purposes include in their taxable income any interest (including accrued but unpaid interest) as well as the difference between the sale or redemption price and the lower of the cost or book value of the Bonds sold or redeemed.

Luxembourg resident corporate Bondholders which are companies benefiting from a special tax regime (such as (a) family wealth management companies subject to the law of 11 May 2007, as amended, (b) undertakings for collective investment subject to the law of 17 December 2010, as amended, (c) specialised investment funds subject to the law of 13 February 2007, as amended, or (d) reserved alternative investment funds governed by the law of 23 July 2016, provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

Net Wealth tax

Luxembourg net wealth tax will not be levied on a corporate Bondholder, unless (a) such Bondholder is a Luxembourg resident other than a Bondholder governed by (i) the laws of 17 December 2010 on undertakings for collective investment; as amended, (ii) the law of 13 February 2007 on specialised investment funds, as amended, (iii) the law of 22 March 2004 on securitisation; as amended, (iv) the law of 15 June 2004 on the investment company in risk capital; as amended, (v) the law of 11 May 2007 on family estate management companies, as amended, or (vi) the law of 23 July 2016 on reserved alternative investment funds, or (b) the Bonds are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

Other taxes

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Bonds, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Bonds, unless the documents relating to the Bonds are (a) voluntarily registered in Luxembourg, or (b) voluntarily appended to a document that requires mandatory registration in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Bonds or in respect of the payment of interest or principal under the Bonds or the transfer of the Bonds. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Bondholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Bonds. No Luxembourg gift tax is levied upon a gift or

donation of the Bonds, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

OTHER INFORMATION

Capitalisation of the Issuer

As a policy-oriented statutory financial institution under the State Council, the Bank has no share capital, and no person other than the People's Republic of China government has, or can obtain, an ownership interest or equity participation in the Bank. The Bank has a registered capital of RMB57 billion, all of which has been contributed by the People's Republic of China government through its Ministry of Finance of the People's Republic of China (中华人民共和国财政部). The Bank's financial accounts are also subject to the approval of the Ministry of Finance of the PRC (中华人民共和国财政部). In addition, because of the Bank's role in the implementation of the People's Republic of China's agricultural policies, the Ministry of Finance of the People's Republic of China (中华人民共和国财政部) has confirmed that it will compensate the Bank for any losses incurred by the Bank in its policy-oriented banking operations. In the event of any funding shortfall of the Bank, the People's Bank of China (中国人民银行) will provide financial support by, among others, granting loans in the form of re-lending to the Bank.

Authorisation

The Bank has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Deeds of Covenant and the Fiscal Agency Agreement, including (i) the written resolutions of the 6th Party Committee's work conference meeting of the Bank dated 9 February 2018; (ii) the approval from the National Development and Reform Commission (the "NDRC") obtained by the Bank on 9 April 2018 with respect to the issuance of the Bonds; and (iii) the approval from the People's Bank of China (中国人民银行) obtained by the Bank in respect of the Bonds on 9 March 2018.

Documents on Display

So long as the Bonds are listed in the Official List of the LuxSE and admitted to trading on the Euro MTF market and the LuxSE Rules so require, copies of the following documents are available free of charge or may be inspected during normal business hours at the corporate headquarters and principal place of business of the Bank in the PRC at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, PRC:

- (i) extracted articles of association of the Issuer in English language (together with a brief version, as approved by the State Council in November 2016);
- (ii) the audited consolidated financial statements of the Issuer for the year ended 31 December 2017;
- (iii) a copy of the Offering Circular;
- (iv) a copy of the approval of the NDRC dated 9 April 2018;
- (v) a copy of the approval of the People's Bank of China (中国人民银行) dated 9 March 2018;
- (vi) the Deeds of Covenant; and
- (vii) the Fiscal Agency Agreement.

Moreover copies of the Bank's annual report for the year ended 31 December 2017 will be available from the Issue Date at the Fiscal Agent's office at 20 Pedder Street, Central, Hong Kong, during normal business hours, so long as any of the Bonds is outstanding.

Notices regarding the Bonds

In respect of Bonds admitted to trading on a market operated by the LuxSE and listed in the Official List of the LuxSE and as long as the rules of such exchange so require, all notices regarding the Bonds will be published

in a Luxembourg daily newspaper with general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the LuxSE website (www.bourse.lu).

Statement on Prospect

The Issuer expect their business operations and financial performance in the year of 2018 to be in line with trends displayed in the year of 2017.

Financial Information

The Audited Financial Statements, which have been audited by Grant Thornton as stated in its report appearing therein, are included in these Listing Particulars. These consolidated financial statements of the Bank are prepared in accordance with PRC GAAP. These consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. There is no material difference between PRC GAAP and IFRS.

No Material Adverse Change

There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Bank since 31 December 2017.

EEA SELLING RESTRICTIONS

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by the Offering Circular to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of bonds shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Bonds to the public**” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

ANNEX A

OFFERING CIRCULAR DATED 19 SEPTEMBER 2018



中国农业发展银行

AGRICULTURAL DEVELOPMENT BANK OF CHINA

(a statutory financial institution organised under the laws of the People's Republic of China)

U.S.\$700,000,000 Floating Rate Bonds due 2021
CNY1,200,000,000 4.16 per cent. Bonds due 2020

Issue Price for the USD Bonds: 100.00 per cent.

Issue Price for the CNY Bonds: 100.00 per cent.

The floating rate bonds due 2021 in the aggregate principal amount of U.S.\$700,000,000 (the "USD Bonds") and the 4.16 per cent. bonds due 2020 in the aggregate principal amount of CNY1,200,000,000 (the "CNY Bonds") will be issued by Agricultural Development Bank of China (the "Bank"). The USD Bonds and CNY Bonds are collectively referred to as the "Bonds" and each constitutes a series of Bonds.

The USD Bonds will bear interest from (and including) the Issue Date at the rate of LIBOR plus a margin of 0.62 per cent. per annum. Interest on the USD Bonds is payable quarterly in arrear on 27 March, 27 June, 27 September and 27 December in each year, commencing on 27 December 2018, provided, however, that, if any interest payment date would otherwise fall on a date which is not a business day, it will be postponed to the next business day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the immediate preceding business day.

The CNY Bonds bear interest from (and including) the Issue Date at the rate of 4.16 per cent. per annum. Interest will be payable semi-annually in arrear on 27 March and 27 September in each year, commencing on 27 March 2019, provided, however, that, if any interest payment date is not a business day, it will be postponed to the next business day, unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Payments in respect of the Bonds shall be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or by or within any of its political subdivisions or authorities having power to tax as further described in Condition 7 (*Taxation*) of the terms and conditions of the USD Bonds (the "Terms and Conditions of the USD Bonds"), and the terms and conditions of the CNY Bonds (the "Terms and Conditions of the CNY Bonds", together with Terms and Conditions of the USD Bonds, the "Terms and Conditions of the Bonds").

On giving not less than 30 nor more than 60 days' notice to the holders of the Bonds of the relevant series (which notice shall be irrevocable), the Bank may redeem any series of the Bonds at anytime (in the case of the CNY Bonds), or on any Interest Payment Date (in the case of the USD Bonds) in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Bank has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions of the Bonds) in respect of the relevant series as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19 September 2018, and such obligation cannot be avoided by the Bank taking reasonable measures available to it.

Unless previously redeemed, or purchased and cancelled as provided herein, the Bank will redeem each (i) USD Bond at its principal amount on the Interest Payment Date falling on, or nearest to, 27 September 2021 and (ii) CNY Bond at its principal amount on the Interest Payment Date falling on, or nearest to, 27 September 2020.

Each series of Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds) unsecured obligations of the Bank which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Bank from time to time outstanding (except for any statutory preference or priority applicable in the winding-up of the Bank).

The USD Bonds will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The CNY Bonds will be issued in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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 except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered only outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

Application has been made to The Hong Kong Stock Exchange Limited ("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 and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) (together, "Professional Investors") only. This document is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the 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, the Bank or quality of disclosure in this document. 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.

An application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange.

Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Bank has determined, and hereby notifies all relevant persons (as defined in 309A of SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) 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).

Each series of the Bonds are expected to be rated "A+" by S&P Global Ratings ("S&P"). Such ratings of the Bonds do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal any time by S&P. Each rating should be evaluated independently of any other ratings of the Bonds or other securities of the Bank or of the Bank.

Each series of Bonds will be represented by beneficial interests in a global bond certificate (each a "Global Bond Certificate" and together the "Global Bond Certificates") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Bond Certificates will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, individual certificates for the Bonds of the relevant series will not be issued in exchange for interests in the relevant Global Bond Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China

Standard Chartered Bank

Bank of Communications

Joint Bookrunners and Joint Lead Managers

Crédit Agricole CIB

BOCOM
International

Agricultural
Bank of China Limited
Hong Kong Branch

ABC
International

ICBC
(Asia)

HSBC

Mizuho Securities

Commerzbank

Citigroup

J.P. Morgan

Offering Circular dated 19 September 2018

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BANK OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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

The Bank, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Bank and to the Bonds which is material in the context of the issue and offering of the Bonds, (ii) all statements relating to the Bank and to the Bonds contained in this Offering Circular are in all material respects true and accurate and not misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation with regard to the Bank contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions (iv) there are no other facts in relation to the Bank or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements. The Bank accepts full responsibility for the information contained in this Offering Circular.

The Bank has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Bank of China Limited (“BOCL”), Bank of China (Hong Kong) Limited (“BOCHK”, together with BOCL, Bank of China), Standard Chartered Bank and Bank of Communications Co., Ltd. Hong Kong Branch (the “Joint Global Coordinators”) and Crédit Agricole Corporate and Investment Bank, BOCOM International Securities Limited, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Commerzbank Aktiengesellschaft, Citigroup Global Markets Limited and J.P. Morgan Securities plc (the “Joint Bookrunners”, together with Joint Global Coordinators, the “Joint Lead Managers”) or the Bank to subscribe for or purchase any of the Bonds. 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 to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, Hong Kong, the PRC, Japan, the United Kingdom, Singapore, Taiwan and Macau and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering

Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Bank, or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Bank, the Joint Lead Managers or the Agents (as defined in the Terms and Conditions of the Bonds) or their respective any director, officer, employee, representative, agent or adviser. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Bank, the Joint Lead Managers or the Agents or any of their respective affiliates to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers or the Agents or any of their respective director, officer, employee, representative, agent or adviser has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers or the Agents or any of their respective director, officer, employee, representative, agent or adviser, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers or the Agents or any of the respective director, officer, employee, representative, agent or adviser. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Bank, the Joint Lead Managers or the Agents or any of the respective director, officer, employee, representative, agent or adviser that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Agents or on any person affiliated with the Joint Lead Managers or the Agents in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Bank and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Agents or any of their respective director, officer, employee, representative, agent or adviser accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers or the Agents or any of their respective director, officer, employee, representative, agent or adviser or on their behalf in connection with the Bank or the issue and offering of the Bonds. Each of the Joint Lead Managers and the Agents and their respective director, officer, employee, representative, agent or adviser accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers or the Agents or any of their respective director, officer, employee, representative, agent or adviser undertakes to review the results of operations, financial condition or affairs of the Bank 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 director, officer, employee, representative, agent or adviser.

Renminbi is currently not freely convertible and conversion of CNY through banks in Hong Kong is subject to certain restrictions. Investors should be reminded of the conversion risk with CNY products. In addition, there is a liquidity risk associated with CNY products, particularly if such investments do not have an active secondary market and their prices have large bid/offer spreads. CNY products are denominated and settled in CNY deliverable in Hong Kong, which represents a market which is different from that of CNY deliverable in the PRC.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS AS THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE, BUT IN SO DOING, THE STABILISING MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE BANK. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Any of the Joint Lead Managers and 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 Bank or its 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 Bank.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been extracted or derived from internal surveys, market research, publicly available information, various government sources and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Bank to be reliable and accurate and the Bank has taken reasonable care in extracting and reproducing such information, but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Bank, the Joint Lead Managers, the Agents or their respective director, officer, employee, representative, agent or adviser makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

The Group's audited consolidated financial information as at and for the years ended 31 December 2016 and 2017 included in this Offering Circular have been extracted from the consolidated financial statements of the Group as at and for the year ended 31 December 2017 (the "Audited Financial Statements") audited by Grant Thornton Certified Public Accountants ("Grant Thornton"), the reporting independent auditor of the Bank. The Audited Financial Statements have been prepared by the Bank in accordance with the in accordance with the Accounting Standards for Business Enterprises — Basic Standards and 38 concrete accounting standards issued on 15 February 2006 by the Ministry of Finance, as well as the Accounting Standards for Business Enterprises — Application Guidelines, and the Accounting Standards for Business Enterprises — Interpretations issued subsequently and other relevant provisions (collectively known as the "Accounting Standards for Business Enterprises", or the "PRC GAAP").

The Audited Financial Statements have only been prepared in Chinese. An English translation of the Audited Financial Statements (the "Financial Statements Translation") has been prepared and included in this Offering Circular for reference. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates has independently verified or checked the accuracy of the Financial Statement Translation and can give no assurance that the information contained in the Financial Statement Translation is accurate, truthful or complete. Potential purchasers must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Bank.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("IFRS"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences between PRC GAAP and IFRS*".

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular includes a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Bank has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5063 to U.S.\$1.00 (the noon buying rate in New York City on 29 December 2017 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in “*Exchange Rates*” in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts 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. References to information in billions of units are to the equivalent of a thousand million units.

Unless the context otherwise requires, references in this Offering Circular to the “Terms and Conditions of the USD Bonds”, and “Terms and Conditions of the CNY Bonds”, are to the terms and conditions governing the USD Bonds, and the CNY Bonds, as respectively set out in “*Terms and Conditions of the USD Floating Rate Bonds*” and “*Terms and Conditions of the CNY Bonds*” in this Offering Circular. Terms and Conditions of the USD Bonds and Terms and Conditions of the CNY Bonds are collectively referred to as “Terms and Conditions of the Bonds”.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “PRC” and “China” are to the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan), and all references to the “United States” and “U.S.” are to the United States of America, all references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “Renminbi”, “RMB” and “CNY” are to the lawful currency of the PRC, and all references to “U.S.\$” and “U.S. dollars” are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Business*” and elsewhere in this Offering Circular constitute “*forward-looking statements*”. The words including “believe”, “expect”, “plan”, “anticipate”, “schedule”, “estimate”, “may”, “will” 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 Bank and the plans and objectives of the Bank’s management for its future 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 Bank to differ materially from those expressed or implied by such forward-looking statements. Reliance should not be placed on these forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank’s present and future business strategies and the environment in which the Bank will operate in the future. The Bank expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in its 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 expectations. All subsequent written and forward-looking statements attributable to the Bank or persons acting on behalf of the Bank are expressly qualified in their entirety by such cautionary statements.

DEFINITIONS AND CONVENTIONS

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

| | |
|---------------------------|---|
| Accountholder | each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as the holder of a particular principal amount of the Bonds |
| Articles of Association | Articles of Association of the Bank, as constituted and amended from time to time. Except where the context otherwise requires, the Articles of Association refers to the Articles of Association of Agricultural Development Bank of China approved by the State Council on November 2016 |
| Bank | Agricultural Development Bank of China |
| Bonds | the USD Bonds and the CNY Bonds |
| CBIRC | China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), the predecessor of China Banking Regulatory Commission (中國銀行業監督管理委員會) (the “CBRC”) |
| China or PRC | the People’s Republic of China, but for the purpose of this Offering Circular only and except where the context requires, references in this Offering Circular to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan |
| CPC | Communist Party of China |
| CSRC | China Securities Regulatory Commission (中國證券監督管理委員會) |
| Fiscal Agent | Bank of Communications Co., Ltd. Hong Kong Branch |
| GDP | gross domestic product |
| HK | the Hong Kong Special Administrative Region of the PRC |
| Joint Global Coordinators | Bank of China, Standard Chartered Bank and Bank of Communications Co., Ltd. Hong Kong Branch |
| Joint Lead Managers | Bank of China, Standard Chartered Bank, Bank of Communications Co., Ltd. Hong Kong Branch, Crédit Agricole Corporate and Investment Bank, BOCOM International Securities Limited, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, Industrial and Commercial Bank of China (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Commerzbank Aktiengesellschaft, Citigroup Global Markets Limited and J.P. Morgan Securities plc |

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|-----------------|--|
| Macau | the Macau Special Administrative Region of the PRC |
| Mainland China | the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan) |
| MOF | Ministry of Finance of the PRC (中華人民共和國財政部) |
| mu | A unit of area (= 0.0667 hectares) |
| NAO | National Audit Office of the PRC (中華人民共和國審計署) |
| NPL | non-performing loan |
| NDRC | the National Development and Reform Commission of the PRC (國家發改委) |
| Party Committee | the highest governing body with the Bank |
| PBOC | People's Bank of China (中國人民銀行) |
| PBOC Document | the document issued by the PBOC on 20 December 2004 in relation to the provision of loans by the PBOC in the event the Bank experiences any liquidity shortfall, which is in effect as of the date of issue of the Bonds |
| PRC Government | the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them |
| Regulation S | Regulation S under the US Securities Act |
| SAFE | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| SAT | State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) |
| Securities Act | the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time) |
| Special Decree | the Special Decree of the State Council regarding the establishment of the Bank (Guo Fa [1994] No.25) (國務院關於組建中國農業發展銀行的通知(國發[1994]25號)) dated 19 April 1994, which is in effect as of the date of issue of the Bonds |
| State Council | the PRC State Council (中華人民共和國國務院) |

TABLE OF CONTENTS

| | Page |
|---|-------------|
| SUMMARY | 1 |
| THE OFFERING | 6 |
| SELECTED FINANCIAL INFORMATION | 11 |
| RISK FACTORS | 17 |
| USE OF PROCEEDS | 32 |
| EXCHANGE RATES | 33 |
| CAPITALISATION AND INDEBTEDNESS | 35 |
| TERMS AND CONDITIONS OF THE USD BONDS | 36 |
| TERMS AND CONDITIONS OF THE CNY BONDS | 51 |
| SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM | 64 |
| DESCRIPTION OF THE BANK | 66 |
| DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT | 86 |
| PRC CURRENCY CONTROLS RELATING TO RENMINBI | 90 |
| TAXATION | 92 |
| SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS | 95 |
| SUBSCRIPTION AND SALE | 96 |
| GENERAL INFORMATION | 100 |
| INDEX OF FINANCIAL STATEMENTS | F-1 |

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

The Bank was incorporated in November 1994 pursuant to the relevant documents issued by the State Council. It is a policy-oriented statutory financial institution under the direct authority of the State Council, which is the highest institution of the PRC government administration, and the only agricultural policy-oriented bank in the PRC. Pursuant to the relevant documents, the Bank operates on an autonomous basis as an economically independent entity with the goal of preserving its capital. The Bank's business is subject to the supervision and direction of the PBOC and CBIRC.

The Bank was established in accordance with the laws, regulations and policies of the PRC government: to raise funds to support the agricultural policy credit business; to act as an agent for the state treasury to allocate funds to support agriculture; and to promote the development of the agricultural industry and rural economy.

In accordance with its articles of association and the instructions and requirements of the State Council, the Bank's current principal businesses mainly include:

- Providing loans for purchase, stockpiling, regulation, and distribution of key agricultural products such as grain, cotton, edible oil, sugar, pork, and chemical fertilizer;
- Providing loans in support of the construction of agricultural and rural infrastructure projects, water conservancy projects and circulation systems;
- Providing loans for projects in support of integrated agricultural development, means of production and agricultural science and technology;
- Providing loans for projects in support of renovation of shack settlements and construction of concentrated housing for farmers;
- Providing loans in support of poverty alleviation through relocation, infrastructure in poor areas, development of special industries and special poverty alleviation projects;
- Providing loans in support of town construction, land purchase and stockpiling in counties;
- Providing loans in support of small agricultural enterprises and leading industrial enterprises;
- Organizing and participating in syndicated loans, bill acceptance and discounting and other credit businesses;
- Absorbing deposits from client enterprises and public institutions within the business scope, public deposits in counties other than residents' savings and fiscal balances;
- Issuing financial bonds; conducting settlement, foreign exchange settlement and sale, and foreign exchange trading for customers;
- Opening special accounts for fiscal funds for assisting agriculture as required and disbursing fiscal agriculture-related subsidies;
- Trading, acting as an agent to trade and underwriting bonds;

- Conducting inter-bank borrowing and placement, agency collection and payment, agency insurance, asset securitization, corporate finance advisory service, and agriculture-related business by way of cooperation with any lease company, agriculture-related guarantee company and agriculture-related investment company or through other methods upon approval; and
- Other services approved by the banking regulatory authority under the State Council.

With particular focus on “Agriculture, Rural Areas and Farmers”, the State Council has adopted a series of agriculture-friendly policies to promote new construction work in rural regions, to modernise agriculture, to increase incomes of farmers, and to promote integration between urban and rural regions. As the only agricultural policy-oriented bank in the PRC under the direct authority of the State Council, the Bank will always implement the national agricultural policies as its top priority and further make full use of its role as a policy bank to exercise nationwide macroeconomic control and promote the development of “Agriculture, Rural Areas and Farmers”.

As at 31 December 2017, the outstanding amount of loans granted by the Bank was RMB4,656.04 billion¹, representing an increase of 13.71 per cent., or RMB561.408 billion, from RMB4,094.632 billion² as at 31 December 2016. As at 31 December 2017, the outstanding amount of bonds issued by the Bank was RMB3,813.135 billion, representing an increase of 12.51 per cent. from 31 December 2016. As at 31 December 2017, the Bank’s balance of deposits (including interbank deposits) was RMB1,452.962 billion, representing an increase of RMB23.777 billion compared to 31 December 2016. As at 31 December 2017, the Bank’s financial self-sufficiency rate in relation to those funds (other than the loans from the PBOC) that are raised by the Bank in the capital market and the risks of which are borne solely by the Bank/the aggregate amount of all interest-bearing liabilities was 88.38 per cent., representing a decrease of 1.22 per cent. from 31 December 2016.

As at 31 December 2017, the Bank’s outstanding amount of NPL increased by RMB1.837 billion from 31 December 2016 and the ratio of non-performing loans was 0.81 per cent., representing a decrease of 0.07 per cent. from 31 December 2016. As at 31 December 2017, the outstanding amount of the loan loss provisions was RMB148.88 billion, representing a net increase of RMB35.168 billion; the NPL provision coverage ratio as at 31 December 2017 was 393.68 per cent. representing an increase of 77.65 per cent. from 316.03 per cent. as at 31 December 2016. The cost to income ratio for the year ended 31 December 2016 was 26.07 per cent., representing a decrease of 4.01 per cent. from the year ended 31 December 2016. As at 31 December 2017, the Bank’s capital adequacy ratio was 4.12 per cent.

Credit Strengths

The Bank believes that it has the following credit strengths:

Strong Credit Profile

As the only agricultural policy-oriented statutory financial institution in the PRC under the direct authority of the State Council, the Bank will always implement the national agricultural policies as its top priority and further make full use of its role as a policy bank to exercise nationwide macroeconomic control and promote the development of “Agriculture, Rural Areas and Farmers”. The Bank also aims to develop into a modern financial corporation in the PRC.

The PRC government provides financial support for the business activities of the Bank. According to the Special Decree, the financial support of the PRC government available to the Bank includes: (a) capital contribution by the PRC government, (b) fiscal subsidies from the MOF, and (c) loans in the form of re-lending provided by the PBOC.

¹Note: The outstanding amount of loans did not take into account the provision deduction factor.

²Note: The outstanding amount of loans was not deducted from loan loss provisions.

In view of its unique policy bank role and link with the PRC government, the Bank enjoys the same recognition in terms of ratings as China's sovereign debt. Please refer to "Fund Raising and Management — Credit Rating".

Unique Position as Sole Agricultural Policy Bank

As the PRC has the largest population in the world, agriculture plays a key role in the economic development and stability of society in the country. With the Bank's unique position as the sole agricultural policy bank in the PRC, it plays an important role in maintaining national food security, stability of the grain and cotton markets, protecting farmers' interests as well as serving rural revitalisation strategy. This is reflected in the Rural Revitalisation Strategic Plan from 2018 to 2022 released by the PRC government which outlines the major targets for agricultural output over the next five years and No.1 Central Document issued by the PRC government from 2015 to 2018. In Document No.1 issued in 2015, the PRC government has specified that the Bank should strengthen its policy function as well as increase lending to construction of agricultural and rural infrastructure including conservancy and roads in poor areas. In No.1 Central Document issued in 2016, the PRC government has stressed that the Bank should strengthen its medium to long term credit loans in "Agriculture, Rural Areas and Farmers". In No.1 Central Document issued in 2017, the PRC government has in particular specified that the Bank will improve the risk compensation mechanism and capital supplement system and increase credit support for the acquisition of entities in the diversified food market. In No.1 Central Document issued in 2018, the PRC government has in particular specified that the Bank will clarify its positioning of responsibilities in rural revitalisation, strengthen innovation in financial services and increase medium to long term credit support for rural revitalisation.

Focused Strategy

The Bank was established in accordance with the laws, regulations and policies of the PRC government: to raise funds for agricultural policy credit business; to undertake the agricultural policy credit business specified by the PRC government; to act as an agent for the state treasury to allocate funds to support agriculture; to support the implementation of national policies on the agricultural industry and regional development; and to promote the steady and healthy development of the agricultural industry and rural economy.

In order to achieve the objectives of the Five-Year Plan, the Bank is committed to implementing the national economic and financial policies and "Agriculture, Rural Areas and Farmers" policy; continuing to promote progress while maintaining stability; insisting on high-quality development; focusing on the strategy of serving rural revitalisation and serving agricultural supply-side structural reform; and serving national strategy, macro-control and development of "Agriculture, Rural Areas and Farmers".

The Bank will continue to develop its international and intermediary businesses, products and services innovation, client development strategies and financial services function.

Frequent Onshore Issuer

The Bank is one of the largest bond-issuing entities in the PRC domestic market. As at 31 December 2017, the Bank issued financial bonds in an aggregated amount of RMB1.04 trillion, along with a total worth of RMB3.81 trillion of bonds outstanding, making the Bank the third largest issuer in China's bond market.

Experienced Management Team Appointed by the State Council

Pursuant to the Bank's articles of association, the chairman, vice chairman, president and vice-presidents of the Bank are appointed by the State Council. The Bank believes that its management team (comprising of the chairman, Mr. Xie Xuezhi, the vice chairman and president, Mr. Qian Wenhui, five vice-presidents, Mr. Bao Jian'an, Mr. Lin Li, Mr. Yin Jiuyong, Mr. He Xing Xiang and Mr. Sun Lansheng, assistant to the vice chairman and president, Mr. Zhu Yuanyang and secretary of the board, Mr. Zhou Liangwei) is well experienced in the banking industry and capable of providing expertise to achieve the Bank's business development objectives.

Comprehensive Risk Management System and Improved Internal Operational Mechanism

The Bank has a comprehensive risk management system and an improved internal operational mechanism which led to an improvement in (a) the asset quality of the Bank and decline in the outstanding amount of NPL and NPL ratio and (b) the operational performance of the Bank.

As at 31 December 2017, the outstanding amount of NPL of the Bank increased by RMB1.837 billion from 31 December 2016. The NPL ratio was 0.81 per cent., representing a decrease of 0.07 per cent. from 31 December 2016.

The Bank has reformed its internal operational mechanism in the following manner (a) market-driven financing mechanism so that its principal source of funds is the proceeds from issue of financial bonds to domestic banks and financial institutions, (b) performance appraisal system based mainly on seven indicators, namely, rate of decline in the outstanding amount of NPL, NPL ratio, return on assets, cost to income ratio, profits per capita, deposits per capita and intermediary business income per capita for the head office to appraise the performance of each of its provincial branches, (c) segmented management of policy-related and self-run-related businesses to enable the Bank to allocate its resources and risks between these two business segments more efficiently and (d) resource allocation mechanism linked with credit planning, financial fees, total wages and results of performance appraisal which will be utilised by its head office in deciding the resource allocation to the various provincial branches of the Bank.

The net profits of the Bank increased from RMB16.207 billion for the year ended 31 December 2016 to RMB17.118 billion for the year ended 31 December 2017. The cost to income ratio for the year ended 31 December 2017 was 26.07 per cent., representing a decrease of 4.01 per cent. from the year ended 31 December 2016.

Organisational Structure

The headquarters of the Bank is located in Beijing. As at 31 December 2017, there was a business outlet of the headquarters of the Bank, 31 provincial branches, 335 regional/municipal branches (including the business outlets equivalent to provincial branches) and 1,831 sub-branches at the county/township-level (including the business outlets equivalent to regional/municipal branches), with a network covering all regions in the PRC.

The network of the Bank's provincial branches is set out below:



THE OFFERING

The following summary 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. Words and expressions defined in the “Terms and Conditions of the USD Bonds” or “Terms and Conditions of the CNY Bonds” shall have the same meanings in this summary. For a complete description of the terms of the Bonds, see “Terms and Conditions of the USD Bonds” and “Terms and Conditions of the CNY Bonds” in this Offering Circular.

The offering of the Bonds contemplated hereby will be made pursuant to the Subscription Agreement (as defined in this Offering Circular).

| | |
|---------------------------------------|--|
| Issuer | Agricultural Development Bank of China. |
| Legal Entity Identifier of the Issuer | 300300C1020311000158 |
| USD Bonds | U.S.\$700,000,000 in aggregate principal amount floating rate Bonds due 2021. |
| CNY Bonds | CNY1,200,000,000 in aggregate principal amount 4.16 per cent. Bonds due 2020. |
| Issue Price | 100.00 per cent. for the USD Bonds. 100.00 per cent. for the CNY Bonds. |
| Form and Denomination | The USD Bonds will be issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof; The CNY Bonds will be issued in registered form in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. |
| Interest | The USD Bonds will bear interest from 27 September 2018 at the rate of LIBOR plus a margin of 0.62 per cent. per annum payable quarterly in arrear on 27 March, 27 June, 27 September and 27 December in each year (each a “USD Bonds Interest Payment Date”), provided that if any USD Bonds Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. |

The CNY Bonds will bear interest from 27 September 2018 at the rate of 4.16 per cent. per annum payable semi-annually in arrear on 27 March and 27 September in each year (each a “CNY Bonds Interest Payment Date”), provided that if any CNY Bonds Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Issue Date

27 September 2018.

Maturity Date

USD Bonds: The Interest Payment Date falling on, or nearest to, 27 September 2021.

CNY Bonds: The Interest Payment Date falling on, or nearest to, 27 September 2020.

Status of the Bonds

Each series of Bonds constitute direct, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds, unsecured obligations of the Bank. The Bonds will at all times rank *pari passu* among themselves and at least *pari passu* with all other existing and future unsubordinated and unsecured obligations of the Bank from time to time outstanding (except for any statutory preference or priority applicable in the winding-up of the Bank).

| | |
|----------------------------------|--|
| Negative Pledge | Each series of the Bonds will contain a negative pledge provision as further described in Condition 3(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds. |
| Events of Default | Each series of the Bonds will contain certain events of default provisions as further described in Condition 8 (<i>Events of Default</i>) of the Terms and Conditions of the Bonds. |
| Redemption at Maturity | <p>Unless previously redeemed, or purchased and cancelled, the USD Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 27 September 2021.</p> <p>Unless previously redeemed, or purchased and cancelled, the CNY Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 27 September 2020.</p> |
| Redemption for Tax Reasons | The Bonds may be redeemed at the option of the Bank in whole, but not in part (in the case of the CNY Bonds) at any time or (in the case of the USD Bonds) on any Interest Payment Date at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxes of the PRC or any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 5(b) (<i>Redemption for tax reasons</i>) of the Terms and Conditions of the Bonds. |
| Redemption for Change of Control | The holder of any Bond will have the right, at such holder's option, to require the Bank to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together with accrued but unpaid interest up to, but excluding the Put Settlement Date, upon the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds) with respect to the Bank. See " <i>Terms and Conditions of the USD Bonds — Redemption and Purchase — Redemption for Change of Control</i> " and " <i>Terms and Conditions of the CNY Bonds — Redemption and Purchase — Redemption for Change of Control</i> ". |

| | |
|--------------------------|---|
| Taxation | <p>All payments of principal and/or interest in respect of each series of Bonds will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or by or within any of its political subdivisions or authorities having power to tax (a “PRC Tax”), unless deduction or withholding of such PRC Tax is compelled by law. In that event, the Bank shall (except in certain circumstances as set out in the Terms and Conditions of the Bonds) pay such additional amounts as will result in the receipt by the Bondholders of such amounts which would otherwise have been receivable in respect to principal and/or interest had no such deduction or withholding been required. See “<i>Terms and Conditions of the USD Bonds — Taxation</i>” and “<i>Terms and Conditions of the CNY Bonds — Taxation</i>”.</p> |
| Clearing Systems | <p>Each series of Bonds will be represented by beneficial interests in a Global Bond Certificate in registered form, which will be registered in the name of a nominee of, and shall be deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Bond Certificates will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstances described in such Global Bond Certificate, individual certificates for the relevant series of Bonds will not be issued in exchange for beneficial interests in the relevant Global Bond Certificate.</p> |
| Clearance and Settlement | <p>The USD Bonds have been accepted for clearance through Euroclear and Clearstream under the following securities codes:</p> <p>ISIN: XS1880465098</p> <p>Common Code: 188046509</p> <p>The CNY Bonds have been accepted for clearance through Euroclear and Clearstream under the following securities codes:</p> <p>ISIN: XS1880465171</p> <p>Common Code: 188046517.</p> |

| | |
|--|--|
| Governing Law | English law. |
| Arbitration | Any dispute, controversy or claim arising out of or relating to the Bonds, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre (the “HKIAC”) in accordance with the HKIAC Administered Arbitration Rules then in force when the notice of arbitration is submitted in accordance with such Rules. The seat of arbitration shall be in Hong Kong and the language of the arbitration shall be English. The governing law of the arbitration agreement shall be English law. |
| Fiscal Agent, Registrar and Transfer Agent | Bank of Communications Co., Ltd. Hong Kong Branch. |
| Listing | <p>Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 28 September 2018.</p> <p>An application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange.</p> |
| Rating | Each series of the Bonds are expected to be rated A+ by S&P. Security ratings are not recommendations to buy, sell or hold the Bonds. Such rating is subject to revision or withdrawal at any time by the relevant rating agency. |
| Further Issues | The Bank may from time to time, without the consent of the relevant Bondholders, create and issue further bonds having the same terms and conditions as the Bonds of the relevant series in all respects, except for the issue date, issue price and the first payment of interest thereon. Additional bonds issued in this manner will be consolidated with and will form a single series with the Bonds of the relevant series. |
| Use of Proceeds | See “ <i>Use of Proceeds</i> ”. |

SELECTED FINANCIAL INFORMATION

The following tables set forth the Group's selected consolidated financial information as at and for the periods indicated.

The selected consolidated financial information as at and for the years ended 31 December 2016 and 2017, as set forth below, has been derived from and should be read in conjunction with, the Audited Financial Statements which have been audited by Grant Thornton and the English translation of which are included elsewhere in this Offering Circular. The Audited Financial Statements have been prepared by the Bank in accordance with the PRC GAAP.

PRC GAAP differs in certain material respects from the IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences between PRC GAAP and IFRS".

Consolidated Statement of Financial Position

| Items | As at 31 December | |
|--|--------------------------------|-----------------------------|
| | 2016 | 2017 |
| | RMB (audited) | |
| Assets: | | |
| Cash and deposits with central bank | 190,940,170,756.21 | 199,799,191,531.39 |
| Precious metal | — | — |
| Due from banks | 300,804,498,359.64 | 190,982,690,383.53 |
| Placements with banks and other financial institutions | 63,213,070,000.00 | 83,973,420,000.00 |
| Financial assets at fair value through profit or loss | 622,507,467.55 | 1,203,866,690.74 |
| Derivative Financial assets | — | 2,840,907.67 |
| Financial assets held under resale agreements | 177,315,513,000.00 | 211,903,186,000.00 |
| Interest receivable | 13,944,858,250.59 | 18,830,941,733.12 |
| Loans and advances | 3,980,920,773,224.40 | 4,507,160,518,959.51 |
| Available-for-sale financial assets | — | — |
| Held-to-maturity investments | 531,429,195,721.07 | 523,384,925,008.02 |
| Financial assets classified as receivables | 309,433,102,500.00 | 426,969,125,832.25 |
| Long-term equity investments | 1,590,419,679.56 | 1,546,559,800.49 |
| Investment Properties | — | — |
| Fixed assets | 16,764,562,432.87 | 16,584,401,316.74 |
| Intangible assets | 461,028,074.80 | 486,565,613.64 |
| Goodwill | — | — |
| Deferred income tax assets | 20,618,100,335.97 | 29,443,824,595.10 |
| Other Assets | 8,198,710,625.12 | 9,226,554,401.42 |
| Total assets | <u>5,616,256,510,427.78</u> | <u>6,221,498,612,773.62</u> |

| Items | As at 31 December | |
|---|------------------------------------|------------------------------------|
| | 2016 | 2017 |
| | RMB (audited) | |
| Liabilities: | | |
| Borrowings from PBOC | 562,000,000,000.00 | 694,200,000,000.00 |
| Due to banks and financial institutions | 25,325,514,621.28 | 14,397,990,471.70 |
| Placement from interbank borrowing | 21,920,226.30 | — |
| Financial liabilities at fair value through profit or loss | 608,045,205.48 | 1,202,814,246.58 |
| Derivative financial liabilities | 103,658.11 | |
| Financial assets sold under repurchase agreements | — | — |
| Deposits received | 1,429,185,280,492.75 | 1,452,962,349,805.95 |
| Employee benefits payable | 5,713,299,710.66 | 7,947,948,434.21 |
| Taxes and fees payable | 3,031,783,673.61 | 7,083,976,677.35 |
| Interests payable | 80,145,133,300.16 | 92,664,129,320.31 |
| Provision | — | — |
| Bonds payable | 3,389,011,140,807.91 | 3,813,134,606,622.10 |
| Deferred income tax liabilities | 10,496,336.61 | 1,701,029.96 |
| Other liabilities | 2,703,007,140.78 | 2,311,864,586.82 |
| Total liabilities | <u>5,497,755,725,173.65</u> | <u>6,085,907,381,194.98</u> |
| Owner's (or shareholder's) equity: | | |
| Paid-in capital (or stock capital) | 57,000,000,000.00 | 57,000,000,000.00 |
| Capital reserves | 12,397,525.36 | 12,397,525.36 |
| Less: treasury stock | — | — |
| Other comprehensive income | 38,542,936.65 | 10,725,113.94 |
| Surplus reserves | 10,036,364,254.30 | 11,748,190,669.02 |
| General risk reserve | 24,000,000,000.00 | 24,000,000,000.00 |
| Retained earnings | 27,413,480,537.82 | 42,819,918,270.32 |
| Total owner's equity owned by parent company . . | 118,500,785,254.13 | 135,591,231,578.64 |
| Non-controlling interests | — | — |
| Total owner's (or shareholder's) equity | <u>118,500,785,254.13</u> | <u>135,591,231,578.64</u> |
| Total liabilities and owner's (or shareholder's) equity | <u><u>5,616,256,510,427.78</u></u> | <u><u>6,221,498,612,773.62</u></u> |

Consolidated Statement of Comprehensive Income

| Items | For the year ended 31 December | |
|--|--------------------------------|--------------------------|
| | 2016 | 2017 |
| | RMB (audited) | |
| I. Operating income | 71,149,273,769.18 | 89,576,655,403.79 |
| (I) Net interest income | 47,818,710,165.62 | 54,307,052,920.70 |
| Interest income | 187,224,306,038.94 | 214,252,995,293.87 |
| Interest expenses | 139,405,595,873.32 | 159,945,942,373.17 |
| (II) Net income from fees and commissions | 711,587,821.19 | 82,628,577.43 |
| Income from fees and commissions . . . | 976,926,301.25 | 401,677,209.13 |
| Expenses of fees and commissions | 265,338,480.06 | 319,048,631.70 |
| (III) Investment income (with “-” for loss) . | 12,658,524,610.67 | 22,217,003,875.27 |
| Where: investment gains/(loss) from associates and joint ventures | 10,156,047.59 | (12,842,056.36) |
| (IV) Income from change of fair value (with “-” for loss) | 6,679,021.05 | 125,098.78 |
| (V) Exchange income (with “-” for loss) . . | 72,785,227.31 | 60,253,290.14 |
| (VI) Other operating income | 9,880,986,923.34 | 12,909,591,641.47 |
| II. Operating expenses | 52,291,723,176.09 | 72,128,250,253.81 |
| (I) Taxes and surcharges | 2,392,079,376.25 | 955,422,501.17 |
| (II) Overhead expenses | 23,354,943,630.68 | 21,404,275,358.75 |
| (III) Impairment of assets (with “-” for reversal amount) | 28,336,994,686.71 | 47,485,595,137.84 |
| (IV) Costs of other businesses | 158,373,754.38 | 332,288,984.12 |
| III. Operating profit (with “-” for loss) | 18,857,550,593.09 | 17,448,405,149.98 |
| Plus: non-operating income | 822,987,167.47 | 203,262,958.16 |
| Less: non-operating expenses | 301,601,844.75 | 350,477,284.28 |
| IV. Total profit (with “-” for loss) | 19,378,935,915.81 | 17,301,190,823.86 |
| Less: income tax expenses | 3,171,778,092.27 | 182,926,676.64 |
| V. Net profit (with “-” for loss) | 16,207,157,823.54 | 17,118,264,147.22 |
| Other net profit attributable to owners of the parent company | 16,207,157,823.54 | 17,118,264,147.22 |
| Net profit attributable to non-controlling interests | 0.00 | 0.00 |
| VI. Other comprehensive income, net of tax . . | 38,542,936.65 | (27,817,822.71) |
| (I) Other comprehensive income attributable to owners of the parent company, net of tax | 38,542,936.65 | (27,817,822.71) |
| 1. Other comprehensive income that will not be reclassified subsequently to profit or loss | 0.00 | 0.00 |
| 2. Other comprehensive income that may be reclassified subsequently to profit or loss | 38,542,936.65 | (27,817,822.71) |

| Items | For the year ended 31 December | |
|--|--------------------------------|--------------------------|
| | 2016 | 2017 |
| | RMB (audited) | |
| (II) Other comprehensive income attributable to owners of the parent company, net of tax | 38,542,936.65 | (27,817,822.71) |
| (III) Comprehensive income attributable to non-controlling shareholders, net of tax | 0.00 | 0.00 |
| VII. Total comprehensive income | 16,245,700,760.19 | 17,090,446,324.51 |
| Total comprehensive income attributable to owners of the parent company, net of tax . | 16,245,700,760.19 | 17,090,446,324.51 |
| Total comprehensive income attributable to non-controlling shareholders | 0.00 | 0.00 |

Consolidated Statement of Cash Flows

| Items | 2016 | 2017 |
|--|----------------------------|-----------------------------|
| | RMB | |
| | (audited) | |
| I. Cash flows from operating activities: | | |
| Net increase in customer deposits and due to banks | 517,065,760,978.21 | 15,024,813,273.05 |
| Net increase in borrowings from the central bank | 256,200,000,000.00 | 132,200,000,000.00 |
| Net increase in placements from other financial institutions | (58,004,085,850.21) | (20,828,769,701.69) |
| Net increase in financial assets sold under repurchase agreements | 0.00 | 0.00 |
| Net decrease in financial assets held under resale agreements | 0.00 | 0.00 |
| Cash received for interests, fees and commissions | 190,454,511,329.51 | 217,698,449,172.10 |
| Other cash received in relation to operating activities | 45,289,187,794.43 | 2,548,897,343.53 |
| Cash inflows from operating activities | 951,005,374,251.98 | 346,643,390,086.99 |
| Net increase in loans and advances to customers | 659,785,885,942.68 | 686,739,845,575.73 |
| Net increase in balances with PBOC and banks | 239,086,547,186.35 | (93,312,319,321.26) |
| Net increase in placements with other financial institutions | 0.00 | 0.00 |
| Net increase in financial assets held under resale agreements | 0.00 | 0.00 |
| Net decrease in financial assets sold under repurchase agreements | 0.00 | 0.00 |
| Cash paid for interests, fees and commissions | 21,280,437,210.80 | 26,877,502,561.77 |
| Cash paid to and for employees | 12,645,185,069.65 | 14,428,220,645.68 |
| Taxes and fees paid | 18,501,633,149.07 | 11,571,787,543.32 |
| Other cash paid in relation to operating activities | 36,001,612,064.86 | 44,099,788,564.82 |
| Sub-total | 987,301,300,623.41 | 690,404,825,570.06 |
| Net cash flows from operating activities | (36,295,926,371.43) | (343,761,435,483.07) |
| II. Cash flows from investing activities: | | |
| Cash recovered as principal of investments | 275,551,968,187.12 | 504,934,432,967.38 |
| Cash receipts associated with investment income | 9,396,747,017.31 | 20,711,296,034.81 |
| Net cash receipts associated with disposal of fixed assets, intangible assets and other non-current assets | 0.00 | 0.00 |
| Net cash receipts associated with disposal of subsidiaries and other investees | 0.00 | 0.00 |

| Items | 2016 | 2017 |
|---|-----------------------------|---------------------------|
| | RMB | |
| | (audited) | |
| Other Cash received in relation to investing activities | 114,554,092.17 | 168,285,443.76 |
| Cash inflows from investing activities | 285,063,269,296.60 | 525,814,014,445.95 |
| Cash paid for investment | 826,012,605,560.97 | 503,397,083,626.58 |
| Cash paid for acquiring fixed assets, intangible assets and other long-term assets | 1,989,797,095.92 | 1,272,744,397.69 |
| Net cash paid for acquisition of subsidiaries and other investees | 0.00 | 0.00 |
| Other cash paid in relation to investing activities | 0.00 | 0.00 |
| Cash outflows for investing activities | 828,002,402,656.89 | 504,669,828,024.27 |
| Net cash flows from investing activities | (542,939,133,360.29) | 21,144,186,421.68 |
| III. Cash flows from financing activities: | | |
| Cash received as capital | 0.00 | 0.00 |
| Among which: cash received as capital from non-controlling shareholders of the subsidiary | 0.00 | 0.00 |
| Cash received for bonds issued | 1,245,725,138,668.62 | 1,201,614,149,792.08 |
| Other cash received in relation to financing activities | 4,000,000.00 | 0.00 |
| Cash inflows from financing activities | 1,245,729,138,668.62 | 1,201,614,149,792.08 |
| Cash paid for settlement of debt | 607,135,962,087.32 | 781,865,761,031.46 |
| Cash paid for dividend, profit and interests | 86,687,841,037.11 | 104,727,248,556.74 |
| Among which: dividend and profit paid to non-controlling shareholders of the subsidiary | 0.00 | 0.00 |
| Other cash paid in relation to financing activities | 0.00 | 0.00 |
| Within: cash paid to non-controlling owners of the subsidiary due to capital reduction | 0.00 | 0.00 |
| Cash outflows for financing activities | 693,823,803,124.43 | 886,593,009,588.20 |
| Net cash flows from financing activities | 551,905,335,544.19 | 315,021,140,203.88 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | 0.00 | 0.00 |
| V. Net increase in cash and cash equivalents. | (27,329,724,187.53) | (7,596,108,857.51) |
| Add: opening balances of cash and cash equivalents | 105,366,616,561.71 | 78,036,892,374.18 |
| VI. Closing balances of Cash and cash equivalents | 78,036,892,374.18 | 70,440,783,516.67 |

RISK FACTORS

An investment in the Bonds is subject to a number of risks. The following highlights some key characters of the Bank's role as the only agricultural policy-oriented statutory financial institution in the PRC under the direct authority of the State Council and some risks relating to the Group, its business, financial condition and the results of operations. 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 Bank does not represent that the statements below regarding the risk factors are exhaustive. Prospective investors should carefully consider all the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE BANK

As a policy bank in China, profit maximisation is not the primary objective of the Bank.

As the only agricultural policy-oriented statutory financial institution in the PRC under the direct authority of the State Council, the Bank plays a significant role in implementing the national agricultural policies, exercising nationwide macro-economic control and promoting the development of "Agriculture, Rural Areas and Farmers". Its primary purpose is to conduct the following activities based on state credibility and in accordance with the laws, regulations and policies of the PRC government: to raise funds for agricultural policy credit business, to undertake the agricultural policy credit business specified by the PRC government, to act as an agent for the state treasury to allocate funds to support agriculture, to support the implementation of national policies on the agricultural industry and regional development and to promote the steady and healthy development of the agricultural industry and rural economy.

Different from commercial banks, maximising profits is not the Bank's ultimate goal, although it strives to preserve its capital and achieve moderate profits. As part of its operating and financial strategy to "preserve capital and achieve moderate profits", the Bank budgets to ensure sufficient coverage of its debt servicing needs. Since the Bank engages in such policy-oriented business, the Bank has relied and will continue to rely on financial and other support from the PRC government in its operations, including significant fiscal subsidies from the MOF to compensate the Bank for any loss incurred in its policy-oriented banking operations and liquidity support from the PBOC.

Therefore, the Bondholders should not expect the Bank to maximise its operating profits as a means to service the Bonds.

The Bank's credit portfolio and its operations are exposed to the risk of borrower default.

In order to implement the PRC government's agricultural policies, the Bank undertakes its agricultural policy-oriented financial businesses required by the PRC government in accordance with the laws, regulations and policies of the PRC. As a policy-oriented financial institution, the credit profiles of borrowers may not be the principal consideration of the Bank in extending credits in its policy-oriented financial businesses.

Notwithstanding its policy functions, the Banks strives to preserve its capital and achieves moderate profits. For example, it was able to maintain a relatively low historical non-performing loan ratio in the past. As at 31 December 2016, the balance of the non-performing loans of the Bank was RMB36.0 billion, and the non-performing loan ratio is 0.88 per cent.; as at 31 December 2017, the balance of the non-performing loans of the Bank was RMB37.8 billion, and the non-performing loan ratio is 0.81 per cent.. The Bank cannot assure that its credit quality will remain unchanged, that the balance of its non-performing loans will not increase and that its reserve set aside for loan losses is sufficient. If the reserve set aside for loan losses maintained by the Bank as of the end of each year proves to be insufficient to cover its loan losses, the Bank may have to apply for additional fiscal subsidies from

the MOF, or otherwise its business, financial condition and results of operations may deteriorate. The Bank's evaluation standards are also subject to periodic review and may not remain unchanged for any given time. In addition, the Bank may cancel, downgrade or withdraw the credit quality rating it accords to any credit granted by it at any time if, in its judgment, circumstances so warrant. If the quality of the Bank's credit portfolio should deteriorate, the business, financial condition and results of operations of the Bank may be adversely affected. Such deterioration of the Bank's credit portfolio and/or lack of additional financial support from the PRC government may in turn adversely affect the Bank's ability to service the Bonds and to satisfy its other obligations under the Bonds.

If the Bank is unable to realise the collaterals or guarantees securing the outstanding principal and interest of its loans and/or credit facilities, the Bank's financial condition and results of operations may be adversely affected.

A significant portion of the Bank's loans and credit facilities are secured by collaterals and/or guarantees. For example, the Bank's loans to enterprises engaged in agricultural industrialisation are normally secured by collaterals and/or guarantees.

The Bank's credit collaterals primarily include real or other assets in mainland China (e.g. real estate collaterals), the value of which may decline due to factors beyond the Bank's control, including macroeconomic factors affecting the PRC economy or any relevant regional economy, or specific market value fluctuations of such assets. In a relatively positive macroeconomic situation, real estate collaterals usually have the advantages of easier value determination and relatively less loss in the realisation process, among others. As such, real estate collaterals form an important part of the Bank's credit collaterals and have played an important role in the Bank's efforts to prevent credit risks and safeguard financial claims. However, if an economic slowdown occurs in China, it may lead to a downturn in the PRC real estate markets, and the market value of real estate collaterals may decrease as a result. It may even result in a decline in the value of the real estate collaterals securing some of the Bank's loans and credit facilities to levels below the outstanding principal balance of such loans and/or credit facilities. Credit guarantees are subject to more factors affecting their strength as credit enhancements, including the credit-worthiness of the guarantors from time to time. In addition, the Bank's exposure to such guarantors is generally unsecured, and a significant deterioration in the financial condition of these guarantors will increase the risk that the Bank may not be able to recover the full amount of such guarantees if and when required. Any significant decline in the value of the collaterals securing the Bank's loans and/or credit facilities may result in a reduction in the amount the Bank can recover from collateral realisation and an increase in its impairment losses.

Due to the diverse nature of the collaterals securing the Bank's credit projects or guarantee projects and the potential lack of liquidity of such collaterals, there can be no assurance that, in the event of foreclosure upon any credit collateral, the Bank would be able to recover, if at all, the full amount owed to it from the disposal of such collateral.

The Bank cannot assure the Bondholders of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to China, its national or county-level economies or its banking industry.

Facts, forecasts and statistics in this Offering Circular relating to China, its national or county-level economies and financial conditions and its banking industry are derived from various sources which are generally believed to be reliable. However, the Bank cannot guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by the Bank and may not be consistent with the information available from other sources and may not be complete or up to date. The Bank has taken reasonable caution in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as government policies, could affect the Bank's business, financial condition and results of operations.

A substantial majority of the Bank's businesses, assets and operations are located in the PRC. Accordingly, the Bank's financial condition, results of operations and business prospects 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 other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC's economy was previously a planned economy, and a substantial portion of productive assets in the PRC is still owned by the PRC government. The government also exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. Although the government has implemented economic reform measures to introduce market forces and establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, the Bank may not benefit from certain of such measures. The PRC government has the power to implement macroeconomic control measures affecting the PRC's economy. The government has implemented various measures in an effort to increase or control the growth rate and adjust the structure of certain industries. For example, in response to a decreased growth rate in part as a result of the global financial crisis and economic slowdown, in September 2008, the PRC government began to implement a series of macroeconomic measures and the moderately loose monetary policy, which included announcing an economic stimulus package and reducing benchmark interest rates. Since 2010, the PRC government has begun to implement a number of macroeconomic measures and moderately tight monetary policies to curb inflation in the PRC. The PRC government may continue to implement such policies to control inflation, which may in turn affect the Bank's ability to make loans to its customers. As a result, the Bank's financial condition, results of operations and prospects may be materially and adversely affected.

Certain of the PRC government's macroeconomic measures may materially and adversely affect the Bank's financial condition, results of operations and asset quality. For example, the PRC government has imposed macroeconomic control measures aimed at tempering the real estate market. In November 2009, the PRC government shortened the period in which the real estate developers make payments for the land premiums and increased the relevant down payment requirement on the real estate developers. In April 2010, the PRC government raised the down payment requirements for people buying their second homes to a minimum of 50 per cent. of the property value from 40 per cent. and this threshold was further raised to 60 per cent. in January 2011. Down payment requirements on first homes of more than 90 square meters rose to a minimum of 30 per cent. of the property value from 20 per cent.. In addition, the lowest interest rate that commercial banks are permitted to charge in respect of second-home residential mortgage loans has increased from 90 per cent. to 110 per cent. of the applicable PBOC benchmark rate. In early 2011, individual housing property tax was introduced in Shanghai and Chongqing on a trial basis. The PRC government's measures to cool down the housing market may adversely affect the growth and quality of the Bank's loans related to real estate and could also have a significant impact on its business, financial condition and results of operations. Furthermore, on 22 December 2009, the PBOC, the CBRC, the CSRC and China Insurance Regulatory Commission issued the "Guiding Opinions on Further Doing a Good Job in Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Some Industries through Financial Services", according to which, all banking financial institutions shall actively cooperate with the national industrial policy and financial control requirements, the credit granting shall reflect the principle of "differential treatments with encouragements and discouragements", and the integrated management of assets and liabilities shall better serve the purpose of promoting the scientific development of economy.' These requirements may adversely affect the condition of certain of the Bank's loans to the relevant industries.

The PRC has been one of the world's fastest growing economies, as measured by GDP growth, in recent years. However, the PRC may not be able to sustain such a growth rate. If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for the Bank's customers could negatively impact their ability or willingness to repay the Bank's loans and reduce their demand for the Bank's banking services. The Bank's financial condition, results of operations and business prospects may be materially and adversely affected.

The PRC legal system could limit the legal protection available to investors.

The Bank is incorporated 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 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 may continue to evolve, may be subject to different interpretation and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, and such cases have limited precedential 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 protection that are available to investors and can adversely affect the value of an investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Bank and the Bank's management.

The Bank is a company incorporated under the laws of the PRC, and a substantial majority of its business, assets and operations are located in the PRC. In addition, a majority of its directors, supervisors and executive officers reside in the PRC, and substantially all of the assets of such directors, supervisors and executive officers are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon the Bank or those persons within the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of many jurisdictions, including Japan, the United States and the United Kingdom. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The Bank is subject to the PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

The Bank receives a substantial majority of its revenue in Renminbi, which is currently not a freely convertible currency. A portion of this revenue must be converted into other currencies in order to meet the Bank's foreign currency obligations.

Under the PRC's existing foreign exchange regulations, by complying with certain procedural requirements, the Bank will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the

PRC government's fiscal and currency policies. 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, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. 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 2.1 per cent. against the U.S. dollar. In August 2008, the PRC revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. In June 2010, the PBOC decided to further reform the PRC's exchange rate system in order to make it more flexible. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Bank's foreign currency-denominated assets. Although the Bank seeks to reduce its exchange rate risk through currency derivatives or otherwise, it cannot assure investors that it will be able to reduce its foreign currency risk exposure relating to its foreign currency-dominated assets. In addition, there are limited instruments available for the Bank to reduce its foreign currency risk exposure at reasonable costs. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of the Bank's customers, particularly those deriving substantial income from exporting products or engaging in related businesses, and in turn affect their abilities to service their obligations to the Bank. Furthermore, the Bank is also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect the Bank's financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may have a material and adverse effect on the Bank's business operations, financial condition and results of operations.

Any future force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 Flu or variants thereof, may materially and adversely affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of its assets, 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 the Bank's business. Moreover, the PRC has experienced natural disasters like 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 the Bank's business. There can be no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 Flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 Flu or other epidemics, will not seriously interrupt the Bank's operations or those of its customers, which may have a material and adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO THE BONDS

The Bonds are not guaranteed by the PRC government.

The Bank is a statutory financial institution organised under the laws of the PRC. Although the Bank is wholly owned by the PRC central government and the PBOC is authorised and obligated pursuant to the PBOC Document to provide loans to the Bank if it experiences any liquidity shortfall, its borrowings and other obligations, including the Bonds, are not guaranteed by the PRC government. When purchasing the Bonds, the Bondholders will be relying upon the Bank's creditworthiness. There

is no assurance that the Bank's creditworthiness will not decline as a result of either internal or external factors, such as the Bank's results of operations or general macroeconomic factors. If the Bank becomes insolvent or defaults on its obligations under the Bonds, the Bondholders can only claim against the Bank as an unsecured creditor as the liquidity support obligation of the PBOC does not constitute a guarantee with respect to the obligations of the Bank under the Bonds. The Bondholders may not enforce such liquidity support obligation against the PBOC or the PRC government, nor does it confer upon the Bondholders any other right under or in respect of the PBOC Document. In the worst case scenario, the Bondholders may lose all of the value of their investment.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Bank, the repayment of the Bonds may be compromised if:

- the Bank enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Bank's secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the Bank's indebtedness; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

If any of these events were to occur, the Bank's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

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

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured appropriate addition of risk to investors' overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- 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 supplement;
- 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;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and an application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Investors in the Bonds may be subject to foreign exchange risks.

The USD Bonds are denominated and payable in U.S. dollars and the CNY Bonds are denominated in Renminbi. An investor who measures investment returns by reference to a currency other than U.S. dollars or Renminbi, as the case may be, would be subject to foreign exchange risks by virtue of an investment in the relevant Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of U.S. dollars or Renminbi, as the case may be, against such currency could cause a decrease in the effective yield of the relevant Bonds below their stated coupon rates and could result in a loss when the return on the relevant Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Bank's or the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the

Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

As the Bonds will carry a fixed interest rate, the trading price of the Bonds will consequently vary with the fluctuations in interest rates. If the Bondholders propose to sell their Bonds before their maturity, they may receive an offer lower than the amount they have invested.

The Bank may be unable to redeem the Bonds.

On certain dates, including but not limited to the maturity date of the Bonds, the Bank may, and at maturity will, be required to redeem all of the Bonds. If such an event were to occur, the Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to redeem the Bonds by the Bank, in such circumstances, would constitute an Event of Default as defined under the Terms and Conditions of the Bonds, which may also constitute a default under the terms of other indebtedness of the Bank or its subsidiaries.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Group's existing and future subsidiaries and effectively subordinated to the Bank's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Bank's existing and future subsidiaries, whether or not secured. The Bonds will not be guaranteed by any of the Bank's subsidiaries, and the Bank may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Bank. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Bank is subject to various restrictions under applicable laws and the debt instruments and loan agreements to which the subsidiaries are parties. The Bank's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Bank's right to receive assets of any of the Bank's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Bank is a creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Bank's subsidiaries, other than the Bank, and any subsidiaries that the Bank may in the future acquire or establish.

In addition, the ability of the Bank's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments and loan agreements of such companies.

The Bonds are the Bank's unsecured obligations and will (i) rank equally in right of payment with all the Bank's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Bank's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Bank's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Bank's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all

other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Bank's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the Bondholders are familiar.

The Bank is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Bank would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

A change in English law which governs the Bonds may adversely affect Bondholders.

The Terms and Conditions of the Bonds are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds by less than all of the Bondholders, and decisions may be made on behalf of all Bondholders that may be adverse to the interests of the individual Bondholders.

The Terms and Conditions of the Bonds contain provisions for calling meetings of the Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Bondholders may be adverse to the interests of the individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Bank and the Fiscal Agent may, without the vote or consent of any holder of Bonds, amend the Bonds for the purpose of (i) adding to the covenants of the Bank for the benefit of the holders of Bonds, or (ii) surrendering any right or power conferred upon the Bank in respect of the Bonds, or (iii) providing security or collateral for the Bonds, or (iv) curing any ambiguity in any provision, or curing, correcting or supplementing any defective provision, contained herein or in the Bonds in a manner which does not adversely affect the interest of any holder of Bonds, or (v) effecting any amendment which the Bank and the Fiscal Agent mutually deem necessary or desirable so long as any such amendment is not inconsistent with the Bonds and does not, and will not, adversely affect the rights or interests of any holder of Bonds. It is not necessary for the vote or consent of the holders of the Bonds to approve the particular form of any proposed modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action, but it is sufficient if such vote or consent shall approve the general substance thereof.

Each series of Bonds will initially be represented by a Global Bond Certificate and holders of a beneficial interest in a Global Bond Certificate must rely on the procedures of the Clearing System.

Each series of Bonds will initially be represented by a Global Bond Certificate. Such Global Bond Certificate will be deposited with a common depository for Euroclear and Clearstream (the "Clearing Systems"). Except in the circumstances described in such Global Bond Certificate, investors will not be entitled to receive individual Bond Certificates. The Clearing System will maintain records of the beneficial interests in each Global Bond Certificate.

While each series of Bonds are represented by a Global Bond Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. The Bank will discharge its payment obligations under the relevant series of Bonds by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Bond Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant series of Bonds. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Bond Certificate.

Holders of beneficial interests in a Global Bond Certificate will not have a direct right to vote in respect of the relevant series of Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

Gains on the transfer of the Bonds or interest payable by the Bank to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”) which took effect on 1 January 2008, and was amended 24 February 2017, and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate in the case of non-resident enterprise without offices or premises inside the PRC or with offices or premises within PRC but such gains have no actual connection to the offices or premises, 25 per cent. enterprise income tax rate in the case of non-resident enterprise holders with offices or premises inside the PRC and such gains are obtained by the offices or premises and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “IIT Law”) which was amended and took effect on 1 September 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent., 25 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Bank is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders in the case of non-resident enterprise without offices or premises inside the PRC or with offices or premises within

PRC but such gains have no actual connection to the offices or premises, 25 per cent. enterprise income tax rate for non-resident enterprise Bondholders in the case of non-resident enterprise holders with offices or premises inside the PRC and such gains are obtained by the offices or premises and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, MOF and SAT issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform Caishui [2016] No. 36 (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)) (“Circular 36”), which introduced a new value-added tax (“VAT”) from 1 May 2016. The Bank will be obligated to withhold VAT of up to 6 per cent. on payments of interest and certain other amounts on the Bonds paid by the Bank to the Bondholders that are non-resident enterprises or individuals. VAT is applicable where the entities or individuals provide services within the PRC. 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. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

There can be no assurance as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Bonds, the Bank is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax, business tax, VAT or otherwise), the Bank also has the right to redeem the Bonds at any time (in the case of the CNY Bonds) or on any Interest Payment Date at any time (in the case of the USD Bonds) in the event (i) it has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the rate which is applicable on 19 September 2018 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19 September 2018, and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it.

If the Bank redeems the Bonds prior to their maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Bank’s ability to redeem the Bonds may reduce the market price of the Bonds.

The Bank may issue additional Bonds in the future.

The Bank may, from time to time, and without prior consultation of the Bondholders of the relevant series, create and issue further bonds in accordance with Condition 13 (*Further Issues*) of the Terms and Conditions of the Bonds or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Bonds which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the USD Bonds are U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The denominations of the CNY Bonds are CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. Therefore, it is possible that any USD Bond may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000 and any CNY Bond may be traded in amounts in excess of CNY1,000,000 that are not integral multiples of CNY1,000,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 or CNY1,000,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of (in the case of the USD Bonds) U.S.\$200,000 or (in the case of the CNY Bonds) CNY1,000,000 may be illiquid and difficult to trade.

Any failure to complete the relevant filings under the NDRC Circular and the relevant information submission to SAFE and the PBOC within the prescribed time frame may have adverse consequences for the Bank and/or the investors of the Bonds.

The Bank has obtained an approval from NDRC on 9 April 2018 with respect to the issuance of the Bonds. The legal consequences of non-compliance with the Post-issuance Filing requirement under the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (“NDRC Circular”) are unclear. If the Bank does not complete the Post-issuance Filing with respect to the Bonds within the timeframe prescribed, there is no assurance that the NDRC will not impose sanctions or other administrative procedures on the Bank, which may have a material adverse impact to its business, financial condition or operations. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Bank undertakes to file or cause to be filed with the NDRC within the time period prescribed by the NDRC Circular after the Issue Date, the requisite information and documents in accordance with the NDRC Circular.

According to (i) the Administrative Measures for Foreign Debt Registration (外債登記管理辦法(匯發[2013]19號)) and any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time, and (ii) the Circular on Relevant Matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知(銀發[2017]9號)) and any implementation rules, reports, certificates or guidelines as issued by the PBOC from time to time, and (iii) the Interim Measures for the Administration of the Issuance of CNY Bonds in Hong Kong Special Administrative Region by Domestic Financial Institutions (境內金融機構赴香港特別行政區發行人民幣債券管理暫行辦法([2007]第12號)), the Bank shall complete the foreign debt information submission in respect of the issue of the Bonds to the PBOC, SAFE and NDRC in accordance with the relevant laws and regulations. If such information submission is not completed as required, it is uncertain whether the Bonds are enforceable under the PRC laws or whether the PBOC, SAFE or NDRC will impose sanctions or other administrative procedures on the Bank, which may have a material adverse effect on its ability to fully perform its obligations under the Transaction Documents or the Bonds. In addition, the Bank may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its obligations under the Bonds. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

Credit ratings may not reflect all risks.

Each series of the Bonds are expected to be rated “A+” by S&P. Such rating may not reflect the potential impact of all risks related to structure, market and 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 or withdrawn by the rating agency at any time.

Changes in market interest rates may adversely affect the value of the Bonds.

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As the CNY Bonds will carry a fixed interest rate, the trading price of the CNY Bonds will consequently vary with the fluctuations in the Renminbi interest rates. If holders of any CNY Bond propose to sell their CNY Bonds before their maturity, they may receive an offer lower than the amount they have invested.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of CNY Bonds.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by PBOC in 2018, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Bank to source Renminbi to finance its obligations under CNY Bonds.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the CNY Bonds and the Bank's ability to source Renminbi outside the PRC to service CNY Bonds.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "Settlement Arrangements") on the clearing of Renminbi business with financial institutions (the "Renminbi Clearing Banks") in a number of financial centres and cities, including but not limited to

Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the CNY Bonds. To the extent the Bank is required to source Renminbi in the offshore market to service its CNY Bonds, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the CNY Bonds is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to CNY Bonds unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the CNY Bonds in that foreign currency will decline.

Payments with respect to the CNY Bonds may be made only in the manner designated in the CNY Bonds.

All payments to investors in respect of the CNY Bonds will be made solely (i) for so long as any series of CNY Bonds are represented by a Global Bond Certificate held with the common depository for Clearstream and Euroclear Bank S.A./N.V. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong and (ii) for so long as any series of CNY Bonds are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the Bank decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Bank does remit some or all of the proceeds into the PRC in Renminbi and the Bank subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the CNY Bonds, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to such “benchmarks”.

The London Interbank Offered Rate (“LIBOR”) is the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to such “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmarks” or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any bonds linked to a “benchmark”.

In addition, uncertainty about the future of LIBOR may adversely affect value of, and the return on, the USD Bonds. On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities such as the USD Bonds. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates during the term of the USD Bonds and holders’ return on the USD Bonds and the trading market for LIBOR-based securities. In the event that a published LIBOR rate is unavailable after 2021, the rate on the USD Bonds will be determined as set forth in “*Terms and Conditions of the USD Bonds — Interest — Rate of Interest*”.

If a published LIBOR rate is unavailable after 2021 and banks are unwilling to provide quotations for the calculation of LIBOR as set forth in the accompanying prospectus supplement, the rate of interest on the USD Bonds will become fixed and the value of the USD Bonds may be adversely affected.

USE OF PROCEEDS

The gross proceeds of the issue of the USD Bonds will be U.S.\$700,000,000 and the gross proceeds of the issue of the CNY Bonds will be CNY1,200,000,000. The Bank intends to use the proceeds from the issue of the Bonds for funding the general credit business, working capital and general corporate purposes.

EXCHANGE RATES

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. On 17 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, the China Foreign Exchange Trade System (“CFETS”), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

| Period | Renminbi per U.S Dollar Noon Buying Rate ⁽¹⁾ | | | |
|--|---|------------------------|--------|--------|
| | End | Average ⁽²⁾ | High | Low |
| | (RMB per U.S.\$1.00) | | | |
| 2013 | 6.0537 | 6.1412 | 6.2438 | 6.0537 |
| 2014 | 6.2046 | 6.1704 | 6.2591 | 6.0402 |
| 2015 | 6.4778 | 6.2869 | 6.4896 | 6.1870 |
| 2016 | 6.9430 | 6.6400 | 6.9580 | 6.4480 |
| 2017 | 6.5063 | 6.7350 | 6.9575 | 6.5063 |
| 2018 | | | | |
| January | 6.2841 | 6.4233 | 6.5263 | 6.2841 |
| February | 6.3280 | 6.3183 | 6.3471 | 6.2649 |
| March | 6.2726 | 6.3174 | 6.3565 | 6.2685 |
| April | 6.3325 | 6.2954 | 6.3340 | 6.2655 |
| May | 6.4096 | 6.3701 | 6.4175 | 6.3325 |
| June | 6.6171 | 6.4651 | 6.6235 | 6.3850 |
| July | 6.8038 | 6.7164 | 6.8102 | 6.6123 |
| August | 6.8300 | 6.8453 | 6.9330 | 6.8018 |
| September (up and including 7 September 2018) | 6.8419 | 6.8360 | 6.8427 | 6.8270 |

Notes:

- (1) Exchange rates between the Renminbi and the U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Bank at 31 December 2017 on an actual basis and as adjusted to give effect to the issuance of the Bonds, before the deduction of fees, commissions and the estimated transaction expenses payable in connection with the offering of the Bonds. The following table should be read in conjunction with “Summary Financial Information” and the Bank’s consolidated financial statements and related notes, the English translation of which are included elsewhere in this Offering Circular.

| | As at 31 December 2017 | | | |
|--|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | Actual | Actual | As adjusted | As adjusted |
| | (RMB in billions) | (U.S.\$ in billions) ⁽¹⁾ | (RMB in billions) | (U.S.\$ in billions) ⁽¹⁾ |
| | (audited) | | | |
| Liabilities: | | | | |
| Borrowings from PBOC | 694.20 | 106.70 | 694.20 | 106.70 |
| Due to banks and financial institutions | 14.40 | 2.21 | 14.40 | 2.21 |
| Deposits received | 1,452.96 | 223.32 | 1,452.96 | 223.32 |
| Bonds payable ⁽²⁾ | 3,813.13 | 586.07 | 3,813.13 | 586.07 |
| Other liabilities | 2.31 | 0.36 | 2.31 | 0.36 |
| USD Bonds to be issued | — | — | 4.55 | 0.70 |
| CNY Bonds to be issued | — | — | 1.20 | 0.18 |
| Total liabilities | <u>6,085.91</u> | <u>935.39</u> | <u>6,091.66</u> | <u>936.27</u> |
| Paid-in capital | 57.00 | 8.76 | 57.00 | 8.76 |
| Surplus reserve | 11.75 | 1.81 | 11.75 | 1.81 |
| General risk reserve | 24.00 | 3.69 | 24.00 | 3.69 |
| Retained earnings | 42.82 | 6.58 | 42.82 | 6.58 |
| Total owner’s equity | <u>135.59</u> | <u>20.84</u> | <u>135.59</u> | <u>20.84</u> |
| Total capitalisation ⁽³⁾ | <u><u>6,221.50</u></u> | <u><u>956.23</u></u> | <u><u>6,227.25</u></u> | <u><u>957.11</u></u> |

Notes:

- (1) For convenience only, all translation from Renminbi into U.S. dollars are made at the rate of RMB6.5063 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 December 2017.
- (2) The Bank has issued onshore bonds with the total amount of RMB877.38 billion in 2018.
- (3) Total capitalisation equals the sum of total liabilities and total owner’s equity.

Other than as disclosed above, there has been no material change in the capitalisation and indebtedness of the Bank since 31 December 2017.

TERMS AND CONDITIONS OF THE USD BONDS

The following 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 individual bond certificates evidencing the Bonds:

The U.S.\$700,000,000 Floating Rate Bonds due 2021 (the “**Bonds**”, which expression includes any further bonds issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Agricultural Development Bank of China (the “**Bank**”) are subject to, and have the benefit of, a deed of covenant dated on or about 27 September 2018 (as amended or supplemented from time to time, the “**Deed of Covenant**”) entered into by the Bank and are the subject of an agency agreement dated on or about 27 September 2018 (as amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) between Bank of Communications Co., Ltd. Hong Kong Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor Fiscal Agent appointed from time to time in connection with the Bonds), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and Bank of Communications Co., Ltd. Hong Kong Branch as agent bank (the “**Agent Bank**”, which expression includes any successor agent bank appointed from time to time in connection with the Bonds). References herein to the “Agents” are to the Registrar, the Paying Agents, the Transfer Agents and the Agent Bank and any reference to an “**Agent**” is to any one of them.

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Deed of Covenant and the Fiscal Agency Agreement are available for inspection by Bondholders during normal business hours at the Specified Office (as defined in the Fiscal Agency Agreement) of the Fiscal Agent, the initial Specified Office of which is set out below.

1. **Form, Denomination and Status**

- (a) *Form and denomination:* The Bonds are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status:* The Bonds constitute direct, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 3(a) (*Negative Pledge*), unsecured obligations of the Bank. The Bonds will at all times rank *pari passu* among themselves and at least *pari passu* with all other existing and future unsubordinated and unsecured obligations of the Bank from time to time outstanding (except for any statutory preference or priority applicable in the winding-up of the Bank).

*Upon issue, the Bonds will be evidenced by a global bond certificate (the “**Global Bond Certificate**”) substantially in the form scheduled to the Fiscal Agency Agreement. The Global Bond Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), and will be exchangeable for individual Bond Certificates (as defined below) only in the circumstances set out therein.*

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 Fiscal Agency Agreement. In these Conditions, the “**Holder**” of a Bond means the person in whose name such Bond is for the time being 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 “**Bond Certificate**”) will be issued to each Bondholder in respect of its registered holding. Each Bond 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 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 Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any 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 Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

- (d) *Registration and delivery of Bond Certificates:* Within five business days of the surrender of a Bond Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) (free of charge to the Holder and at the Bank’s expenses) 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 Bank, the Registrar or any Transfer Agent but (i) against such indemnity as the Registrar or (as the case may be) such 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, (ii) the Registrar or (as the case may be) such Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) the Bank and/or the Registrar and/or the relevant Transfer Agent being satisfied that the Regulations (as defined in the Fiscal Agency Agreement) concerning the transfer of Bonds have been complied with.

- (f) *Closed periods*: Bondholders may not require transfers to be registered,
- (i) after a notice of redemption has been validly delivered pursuant to Condition 5(c) (*Redemption for Change of Control*) or during the period of 10 days before any date on which the Bonds may be called for redemption by the Bonds at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); and
 - (ii) during the period of 10 days ending on the due date for any payment of principal or interest in respect of the Bonds.
- (g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Bank with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge to the Holder and at the Bank's expense) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

3. Covenants

- (a) *Negative Pledge*: So long as any of the Bonds remains outstanding, the Bank shall not create or permit to subsist any Security Interest on any of its present or future assets or revenues to secure the repayment of, or any guarantee or indemnity in respect of, any Public External Indebtedness unless the Bonds are secured by such Security Interest *pari passu* with such other Public External Indebtedness.

This provision, however, will not apply to any (i) Security Interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof or (ii) lien arising by operation of law.

- (b) *Post-issue Notifications and Filings*: The Bank undertakes to complete all such post-issue notifications and filings with the competent authorities in the PRC (including, as applicable, the National Development and Reform Commission of the PRC, the People's Bank of China and the State Administration of Foreign Exchange of the PRC) within the prescribed timeframes in accordance with the laws, regulations and rules in the PRC as in force and applicable from time to time. For so long as the Bonds remain outstanding, the Bank shall comply with all applicable laws, regulations and rules in the PRC.

In these Conditions:

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Macau" means the Macau Special Administrative Region of the People's Republic of China;

"person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"PRC" or **"China"** means the People's Republic of China excluding Hong Kong, Macau and Taiwan;

"Public External Indebtedness" means any indebtedness of the Bank for money borrowed (including indebtedness represented by the bonds, notes, debentures or other similar instruments)

or any guarantee by the Bank of indebtedness for money borrowed which, in either case, (i) has an original maturity in excess of one year and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); *provided* that public external indebtedness shall not include any such indebtedness for borrowed money owed to any financial institution in the PRC; and

”**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. **Interest**

- (a) *Accrual of interest and payments*: The Bonds bear interest from (and including) 27 September 2018 (the “**Issue Date**”) at the Rate of Interest (as defined below) payable on each 27 March, 27 June, 27 September and 27 December in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*); *provided, however, that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day (as defined below) unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.
- (b) *Cessation of interest*: Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Rate of Interest*: The rate of interest applicable to the Bonds (the “**Rate of Interest**”) for each Interest Period will be determined by the Agent Bank on the following basis:
- (i) the Agent Bank will determine the rate for deposits in U.S. dollars for a period equal to the relevant Interest Period which appears on the display page designated LIBOR01 on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (London time) on the second London Banking Day (as defined below) before the first day of the relevant Interest Period (the “**Interest Determination Date**”);
- (ii) if such rate does not appear on that page, the Agent Bank will:
- (A) request the principal London office of each of four major banks in the London interbank market to provide a quotation of the rate at which deposits in U.S. dollars are offered by it in the London interbank market at approximately 11.00 a.m. (London time) on the Interest Determination Date to prime banks in the London interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in New York City, selected by the Agent Bank, at approximately 11.00 a.m. (New York City time) on the first day of the relevant Interest Period for loans in U.S. dollars to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of 0.62 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Bonds during such Interest Period will be the sum of 0.62 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period.

Calculation of Interest Amount: The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the “**Interest Amount**”) payable in respect of each Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the actual number of days in such Interest Period divided by 360, rounding the resulting figure to the nearest cent. (half a cent. being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Bond divided by the Calculation Amount.

- (d) *Publication:* The Agent Bank will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Bank, the other Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Authorised Denomination, the Agent Bank shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Bond having the minimum Authorised Denomination.
- (e) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Agents and the Bondholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (f) *Interpretation:* In these Conditions:

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York City;

“**Calculation Amount**” means U.S.\$1,000; and

“**London Banking Day**” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 27 September 2021.
- (b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Bank in whole, but not in part, on any Interest Payment Date, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Bank has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19 September 2018; and
 - (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Bank shall deliver to the Fiscal Agent:

- (A) a certificate signed by an authorised representative of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Bank shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require the Bank to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued but unpaid interest up to, but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a “**Put Exercise Notice**”), together with the Bond Certificates evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Bank in accordance with Condition 14 (*Notices*). The “**Put Settlement Date**” shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Bank shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid.

The Bank shall give notice to Bondholders and the Fiscal Agent in accordance with Condition 14 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 5(c) (*Redemption for Change of Control*).

In this Condition 5(c) (*Redemption for Change of Control*):

a “**Change of Control**” occurs when the government of the PRC or persons under the control of the government of the PRC cease to directly or indirectly hold a majority of the ownership interest or equity participation in the Bank.

- (d) *Notice of redemption*: All Bonds in respect of which any notice of redemption is given under this Condition 5 (*Redemption and Purchase*) shall be redeemed on the date specified in such notice in accordance with this Condition 5 (*Redemption and Purchase*). If there is more than one notice of redemption given in respect of any Bond (which shall include any Put Exercise Notice given by a Bondholder pursuant to Condition 5(c) (*Redemption for Change of Control*)) the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given.
- (e) *No Other Redemption*: the Bank shall not be entitled to redeem the Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) to Condition 5(c) (*Redemption for Change of Control*) above.
- (f) *Purchase*: Subject to applicable laws and regulations, the Bank may at any time purchase Bonds in the open market or otherwise and at any price. Any Bonds purchased by the Bank may, at their discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.
- (g) *Cancellation*: All Bonds redeemed by the Bank shall be cancelled and may not be reissued or resold.

6. **Payments**

- (a) *Principal*: Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the Specified Office of any Paying Agent.
- (c) *Payments Subject to Fiscal Laws*: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

- (d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday or a public holiday in Hong Kong and New York City) on which commercial banks and foreign exchange markets are open for business and settlement of U.S. dollar payments in New York City, Hong Kong and (if surrender of the relevant Bond Certificate is required) in which the Bond Certificate is surrendered.
- (e) *Partial Payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Bank shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.
- (f) *Record date*: Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the tenth day before the due date for such payment (the “**Record Date**”).

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

7. **Taxation**

All payments of principal and/or interest in respect of the Bonds will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or by or within any of its political subdivisions or authorities having power to tax (a “**PRC Tax**”), unless deduction or withholding of such PRC Tax is compelled by law. Where such withholding or deduction is made by the Bank within the PRC at the rate applicable on 19 September 2018 (the “**Applicable Rate**”), the Bank shall pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Bank is required to make a withholding or deduction by or within the PRC in excess of the Applicable Rate, the Bank shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

- (a) held by a Holder who is subject to such PRC Tax in respect of such Bond by reason of his being connected with the PRC (or any of its political subdivisions) other than merely by holding such Bond or receiving principal or interest in respect of such Bond; or
- (b) held by a Holder 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; or

- (c) where (in the case of a payment of principal or interest on redemption) the relevant Bond Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Bond Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**”, in relation to any payment due on a Bond, means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received in Hong Kong by the Fiscal Agent on or prior to such due date, the date on which the full amount having been so received and notice to that effect has been given to the Bondholders in accordance with Condition 14 (*Notices*).

The obligation of the Bank to pay additional amounts in respect of taxes, duties, assessments and other governmental charges shall 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 interest on the Bonds; *provided* the Bank shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the PRC or any PRC political subdivision or taxing authority, with respect to the Fiscal Agency Agreement or as a consequence of the issue of the Bonds.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

8. **Events of Default**

If any of the following events (each, an “**Event of Default**”) occurs and is continuing:

- (a) *Non-payment*: failure by the Bank to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more; or
- (b) *Breach of other obligations*: default by the Bank in the performance or observance of any of its other obligations under or in respect of the Bonds or the Fiscal Agency Agreement or the Deed of Covenant and such default remains unremedied for 60 days following receipt by the Bank of written notice of such default (with a copy to the Fiscal Agent), by holders of an aggregate principal amount of not less than 10 per cent. of the Outstanding (as defined in Condition 12(d) (“*Outstanding*” *Defined*)) Bonds, to remedy such failure; or
- (c) *Cross-default*: failure by the Bank to make any payment when due of principal or interest in excess of U.S.\$100,000,000 (or its equivalent in any other currency or currencies) (whether upon maturity, acceleration or otherwise) on or in connection with Public External Indebtedness (other than that represented by the Bonds) or guarantees given by the Bank in respect of Public External Indebtedness of others, and such failure by the Bank to make payment or to validly reschedule the payment (with the consent of the persons to which such Public External Indebtedness is owed) of such Public External Indebtedness continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or
- (d) *Dissolution, Merger, etc.*: an order is issued or any other action is taken by appropriate authorities of or in the PRC for the Bank’s dissolution or merger or consolidation (except where the Bank is the continuing entity) or for the transfer or assignment of the whole or a material part of the Bank’s assets except, in either case, where all the Bank’s obligations under the Bonds then Outstanding are legally assumed by another agency designated by the State Council of the PRC; *provided* that (i) such agency is a solvent financial institution organised and existing under the laws of the PRC, (ii) such agency is controlled, directly

or indirectly, by the PRC, (iii) such agency assumes in writing all of the Bank's obligations under the Bonds, and (iv) immediately after giving effect to such transaction no Event of Default or event or condition that, with the giving of notice or the lapse of time or both, would become an event of default has occurred and is continuing; or

- (e) *No liquidity support*: save where the government of the PRC shall guarantee or otherwise assume the indebtedness and all of the Bank's obligations evidenced by the Bonds and the Fiscal Agency Agreement, (i) the People's Bank of China (or the successor central bank of the PRC) ceases or fails to provide the liquidity support stipulated in the Notification of the People's Bank of China dated 20 December 2004 (the "**PBOC Document**") as in effect on the date of issue of the Bonds or (ii) the PBOC Document (1) is modified in a manner which prejudices the rights of the Bondholders or (2) ceases to be valid or effective unless it is replaced by such enactment or legislation which is not prejudicial to the rights of Bondholders,

then each Bondholder may declare the principal of the Bonds to be due and payable immediately by written demand given to the Bank and the Fiscal Agent at the Specified Office of the Fiscal Agent, unless prior to receipt of such demand by the Fiscal Agent, all such defaults have been cured. The Bank shall notify Bondholders and the Fiscal Agent promptly upon becoming aware of the occurrence of any Event of Default, but will not be obligated to furnish any periodic evidence as to the absence of defaults.

9. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Bond Certificates are surrendered for payment within ten years in the case of principal and five years in the case of interest of the appropriate Relevant Date.

10. **Replacement of Bond Certificates**

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

11. **Fiscal Agent and Agents**

The Fiscal Agency Agreement contains provisions relating to the obligations and duties of the Fiscal Agent and for the indemnification of the Fiscal Agent and for its relief from responsibility for actions that it takes. The Fiscal Agent is entitled to enter into business transactions with the Bank without accounting for any profit resulting therefrom.

In acting under the Fiscal Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Bank and (to the extent provided therein) the Fiscal Agent does not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders, except that the monies paid to and held by the Fiscal Agent as payment of principal of or interest on the bonds will be received and held by the Fiscal Agent in trust for the Bondholders.

The initial Agents and their initial Specified Offices are listed below. The Bank reserves the right (with the prior approval of the Fiscal Agent) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent or additional or successor paying agents and transfer agents; provided, however, that the Bank shall at all times maintain a paying agent and a transfer agent. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders.

12. Meetings, Modification of Conditions and Waiver

- (a) *Calling of Meeting, Notice and Quorum*: the Bank may call a meeting of holders of Bonds at any time and from time to time to make, give or take any request, demand, authorisation, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the Bonds to be made, given or taken by holders of the Bonds or to modify, amend or supplement the terms and conditions of the Bonds. Any such meeting shall be held at such time and at such place in Hong Kong as the Bank shall determine and as shall be specified in a notice of such a meeting that shall be furnished to the holders of Bonds at least 30 days and not more than 60 days prior to the date fixed for the meeting (the “**Meeting Notice Period**”). In addition, the Fiscal Agent may at any time and from time to time call a meeting of holders of the Bonds, for any such purpose, to be held at such time and at such place in Hong Kong as the Fiscal Agent shall determine, after consultation with the Bank, and as shall be specified in a notice of such meeting that shall be furnished to holders of the Bonds within the Meeting Notice Period. In case at any time the holders of at least 15 per cent. in aggregate principal amount of the Outstanding Bonds shall have requested the Fiscal Agent to call a meeting of the Bonds, for any such purpose as specified above, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Fiscal Agent shall call such meeting for such purposes by giving notice thereof. Such notice shall be given within the Meeting Notice Period. Notice of every meeting of holders of Bonds shall set forth the time and place of the meeting and in general terms the action proposed to be taken at such meeting. In the case of any meeting to be reconvened after adjournment for lack of a quorum, notice of such meeting shall be given not less than 10 nor more than 15 days prior to the date fixed for such meeting.

To be entitled to vote at any meeting of the Bondholders, a person shall be a holder of outstanding Bonds or a person duly appointed by an instrument in writing as proxy for such a holder. The persons entitled to vote a majority of the aggregate principal amount of the outstanding Bonds shall, other than in respect of a Reserved Matter (as defined below), constitute a quorum. At the reconvening of any meeting adjourned for a lack of a quorum, the persons entitled to vote 25 per cent. of the aggregate principal amount of the outstanding Bonds shall constitute the quorum for the taking of any action set forth in the notice of the original meeting. For the purposes of a meeting of holders of Bonds that proposes to discuss a Reserved Matter, the persons entitled to vote 75 per cent. of the aggregate principal amount of the outstanding Bonds shall constitute a quorum. In the absence of a quorum, a meeting shall be adjourned for a period of at least 20 days. The Fiscal Agent, after consultation with the Bank, may make such reasonable and customary regulations consistent herewith as it shall deem advisable for any meeting of holders of the Bonds, including attendance at such meeting and voting, the proof of the appointment of proxies in respect of holders of Bonds, determining the validity of any voting certificates or block voting instructions, the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

- (b) *Voting and Consents*: If sanctioned by an Extraordinary Resolution, the Bank and the Fiscal Agent may modify, amend or supplement the terms of the Bonds in any way, and the holders of the Bonds may make, take or give any request, demand, authorisation, direction, notice, consent, waiver (including waiver of future compliance or past default) or other action given or taken by holders of the Bonds; *provided, however*, that the following matters (“**Reserved Matters**” and each, a “**Reserved Matter**”) shall require (i) the affirmative vote, in person or by proxy thereunto duly authorised in writing, of the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds then Outstanding represented at such meeting, or (ii) the written consent of the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds then Outstanding: (A) change the due dates for the payment of principal of, or any instalment of interest on, or any other

amount in respect of, any Bond; (B) reduce the principal amount of any Bond; (C) reduce the portion of the principal amount that is payable in the event of an acceleration of the maturity of any Bond; (D) reduce the interest rate on any Bond; (E) change the currency or places in which payment of interest or principal in respect of the Bonds is payable; (F) permit early redemption of the Bonds or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or the redemption price; (G) reduce the above-stated percentage of the principal amount of outstanding Bonds the vote or consent of the holders of which is necessary to modify, amend or supplement the terms and conditions of the Bonds or to make, take or give any request, demand, authorisation, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given; (H) change the obligation of the Bank to pay additional amounts as provided in Condition 7 (*Taxation*); or (I) change the status of the Bonds as described in Condition 1(b) (*Status*). In these Conditions, “**Extraordinary Resolution**” means (a) in respect of a matter other than a Reserved Matter a resolution passed at a meeting of the Bondholders, duly convened and held in accordance with this Schedule, by a majority of not less than 66.67 per cent. of the aggregate principal amount of Bonds then Outstanding represented at such meeting; and (b) in respect of a Reserved Matter a resolution passed at a meeting of the Bondholders, duly convened and held in accordance with this Schedule, by a majority of not less than 75 per cent. of the aggregate principal amount of Bonds then Outstanding represented at such meeting.

In addition, and notwithstanding the foregoing, at any meeting of holders of Bonds duly called and held as specified above, upon the affirmative vote, in person or by proxy hereunto duly authorised in writing, of the holders of not less than 66.67 per cent. of aggregate principal amount of the Bonds then Outstanding represented at such meeting, or by the written consent of the holders of not less than 66.67 per cent. of aggregate principal amount of the Bonds then Outstanding, holders of Bonds may rescind a declaration of the acceleration of the principal amount thereof if the Event or Events of Default giving rise to the declaration have been cured or remedied and provided that no other Event of Default has occurred and is continuing.

The Bank and the Fiscal Agent may, without the vote or consent of any holder of Bonds, amend the Bonds for the purpose of (i) adding to the covenants of the Bank for the benefit of the holders of Bonds, or (ii) surrendering any right or power conferred upon the Bank in respect of the Bonds, or (iii) providing security or collateral for the Bonds, or (iv) curing any ambiguity in any provision, or curing, correcting or supplementing any defective provision, contained herein or in the Bonds in a manner which does not adversely affect the interest of any holder of Bonds, or (v) effecting any amendment which the Bank and the Fiscal Agent mutually deem necessary or desirable so long as any such amendment is not inconsistent with the Bonds and does not, and will not, adversely affect the rights or interests of any holder of Bonds.

It shall not be necessary for the vote or consent of the holders of the Bonds to approve the particular form of any proposed modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action, but it shall be sufficient if such vote or consent shall approve the general substance thereof.

- (c) *Binding Nature of Amendments, Notices, Notations, etc.:* Any instrument given by or on behalf of any holder of a Bond in connection with any consent to or vote for any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Bond or any Bond issued directly or indirectly in exchange or substitution therefor or in lieu thereof. Any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 12(b) (*Voting and Consents*) hereof shall be conclusive and binding on all holders of Bonds, whether or not they have

given such consent or cast such vote or were present at any meeting, and whether or not notation of such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action is made upon the Bonds. Notice of any modification or amendment of, supplement to, or request, demand, authorisation, direction, notice, consent, waiver or other action with respect to the Bonds or the Fiscal Agency Agreement (other than for purposes of curing any ambiguity or of curing, correcting or supplementing any defective provision hereof or thereof) shall be given to such holder of Bonds affected thereby, in all cases as provided in the relevant Bonds.

Bonds authenticated and delivered after the effectiveness of any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action may bear a notation in the form approved by the Fiscal Agent and the Bank as to any matter provided for in such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action. New Bonds modified to conform, in the opinion of the Fiscal Agent and the Bank, to any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 12(b) (*Voting and Consents*) hereof may be prepared by the Bank authenticated by the Fiscal Agent and delivered in exchange for outstanding Bonds.

- (d) *"Outstanding" Defined:* For purposes of the provisions of the Bonds, any Bond authenticated and delivered pursuant to the Fiscal Agency Agreement shall, as of any date of determination, be deemed to be "**Outstanding**", *except:*
- (i) Bonds duly cancelled by the Fiscal Agent or duly delivered to the Fiscal Agent for cancellation;
 - (ii) Bonds which have become due and payable at maturity or otherwise, and with respect to which, in each case, monies sufficient to pay the principal thereof and any interest thereon shall have been paid or duly provided for; or
 - (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Fiscal Agency Agreement,

provided, however, that in determining whether the holders of the requisite principal amount of outstanding Bonds are present at a meeting of holders of the Bonds for quorum purposes or have consented to or voted in favour of any request, demand, authorisation, direction, notice, consent, waiver, amendment, modification or supplement hereunder, or have delivered any notice in relation to the Bonds, Bonds owned, directly or indirectly, by the Bank will be disregarded and deemed not to be Outstanding, except that in determining whether the Fiscal Agent shall be protected in relying upon any such request, demand, authorisation, direction, notice, consent, waiver, amendment, modification, or supplement, or any such notice from holders, only Bonds that the Fiscal Agent knows to be so owned shall be so disregarded.

13. **Further Issues**

The Bank may from time to time, without the consent of Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects, except for the issue date, issue price and the first payment of interest thereon. Additional bonds issued in this manner will be consolidated with and will form a single series with the Bonds.

14. **Notices**

Notices to the Bondholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail (at the Bank's expense) at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any individual Bond Certificates are issued and so long as the Global Bond Certificate is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg 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.

15. **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 English law.
- (b) *Arbitration:*
- (i) Any dispute, controversy or claim arising out of or relating to the Bonds, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre (the “**HKIAC**”) in accordance with the HKIAC Administered Arbitration Rules then in force when the Notice of Arbitration is submitted in accordance with such Rules (the “**Rules**”) and as may be amended by the rest of this Condition.
 - (ii) The seat of arbitration shall be in Hong Kong and the language of the arbitration shall be English. The governing law of this arbitration agreement shall be English law.
 - (iii) The arbitral tribunal (the “**Tribunal**”) shall consist of three arbitrators to be appointed in accordance with the Rules.
 - (iv) The parties agree that any provisions in the Rules relating to applications for emergency relief, consolidation of arbitrations and/or single arbitrations under multiple contracts shall apply to any arbitral proceedings commenced pursuant to this Condition and under any of the subscription agreement dated 19 September 2018 between the Bank and the joint lead managers set out therein, the Fiscal Agency Agreement and the Deed of Covenant.
 - (v) The award of the Tribunal shall be final and binding among the parties regarding any claims, counterclaims, issues, or accountings presented to the Tribunal. To the fullest extent allowed by applicable laws, each party hereby waives any right to appeal such award.
 - (vi) By agreeing to arbitration, the parties shall not be prevented from seeking from any court of competent jurisdiction conservatory or interim relief including a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings and to enforce any award.
 - (vii) For the avoidance of doubt, the parties agree that this Condition 15(b) is, and is to be treated as, an international arbitration agreement, and any dispute, controversy or claim arising out of or relating to the Fiscal Agency Agreement, the Deed of Covenant and the Bonds, including any question regarding the breach, termination, existence or invalidity thereof, is to be arbitrated as an international arbitration in accordance with this Condition 15(b).
- (c) *Cost of arbitration:* The costs of the arbitration shall be allocated between the relevant parties to the arbitration by the Tribunal and shall be set forth in the arbitral award in accordance with the Rules.

- (d) *Waiver of Immunity*: In respect of any proceedings described above, the Bank shall irrevocably consent to the giving of any relief and the issue of any process in connection with such proceedings, including, without limitation, the making, enforcement or execution (against any of the assets of the Bank whatsoever, irrespective of their uses or intended uses), of any order or judgment made or given, in any such proceedings, and to the extent that the Bank may in any jurisdiction claim for itself or its assets, or have attributed to itself or its assets, any right of immunity on the grounds of sovereignty or otherwise from any legal action, suit, proceeding, execution, attachment or other legal process, the Bank shall irrevocably agree not to claim and will waive such immunity to the fullest extent permitted by law.

TERMS AND CONDITIONS OF THE CNY BONDS

The following 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 individual bond certificates evidencing the Bonds:

The CNY1,200,000,000 4.16 per cent. Bonds due 2020 (the “**Bonds**”, which expression includes any further bonds issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Agricultural Development Bank of China (the “**Bank**”) are subject to, and have the benefit of, a deed of covenant dated on or about 27 September 2018 (as amended or supplemented from time to time, the “**Deed of Covenant**”) entered into by the Bank and are the subject of an agency agreement dated on or about 27 September 2018 (as amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) between Bank of Communications Co., Ltd. Hong Kong Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor Fiscal Agent appointed from time to time in connection with the Bonds), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds). References herein to the “**Agents**” are to the Registrar, the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Deed of Covenant and the Fiscal Agency Agreement are available for inspection by Bondholders during normal business hours at the Specified Office (as defined in the Fiscal Agency Agreement) of the Fiscal Agent, the initial Specified Office of which is set out below.

1. **Form, Denomination and Status**

- (a) *Form and denomination:* The Bonds are in registered form in the denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status:* The Bonds constitute direct, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 3(a) (*Negative Pledge*), unsecured obligations of the Bank. The Bonds will at all times rank *pari passu* among themselves and at least *pari passu* with all other existing and future unsubordinated and unsecured obligations of the Bank from time to time outstanding (except for any statutory preference or priority applicable in the winding-up of the Bank).

*Upon issue, the Bonds will be evidenced by a global bond certificate (the “**Global Bond Certificate**”) substantially in the form scheduled to the Fiscal Agency Agreement. The Global Bond Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), and will be exchangeable for individual Bond Certificates (as defined below) only in the circumstances set out therein.*

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 Fiscal Agency Agreement. In these Conditions, the “**Holder**” of a Bond means the person in whose name such Bond is for the time being 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 “**Bond Certificate**”) will be issued to each Bondholder in respect of its registered holding. Each Bond 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 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 Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any 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 Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

- (d) *Registration and delivery of Bond Certificates*: Within five business days of the surrender of a Bond Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) (free of charge to the Holder and at the Bank’s expenses) 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 Bank, the Registrar or any Transfer Agent but (i) against such indemnity as the Registrar or (as the case may be) such 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, (ii) the Registrar or (as the case may be) such Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) the Bank and/or the Registrar and/or the relevant Transfer Agent being satisfied that the Regulations (as defined in the Fiscal Agency Agreement) concerning the transfer of Bonds have been complied with.
- (f) *Closed periods*: Bondholders may not require transfers to be registered,
 - (i) after a notice of redemption has been validly delivered pursuant to Condition 5(c) (*Redemption for Change of Control*) or during the period of 10 days before any date on which the Bonds may be called for redemption by the Bonds at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); and

- (ii) during the period of 10 days ending on the due date for any payment of principal or interest in respect of the Bonds.
- (g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Bank with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge to the Holder and at the Bank's expense) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

3. Covenants

- (a) *Negative Pledge*: So long as any of the Bonds remains outstanding, the Bank shall not create or permit to subsist any Security Interest on any of its present or future assets or revenues to secure the repayment of, or any guarantee or indemnity in respect of, any Public External Indebtedness unless the Bonds are secured by such Security Interest *pari passu* with such other Public External Indebtedness.

This provision, however, will not apply to any (i) Security Interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof or (ii) lien arising by operation of law.

- (b) *Post-issue Notifications and Filings*: The Bank undertakes to complete all such post-issue notifications and filings with the competent authorities in the PRC (including, as applicable, the National Development and Reform Commission of the PRC, the People's Bank of China and the State Administration of Foreign Exchange of the PRC) within the prescribed timeframes in accordance with the laws, regulations and rules in the PRC as in force and applicable from time to time. For so long as the Bonds remain outstanding, the Bank shall comply with all applicable laws, regulations and rules in the PRC.

In these Conditions:

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Macau" means the Macau Special Administrative Region of the People's Republic of China;

"person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"PRC" or **"China"** means the People's Republic of China excluding Hong Kong, Macau and Taiwan;

"Public External Indebtedness" means any indebtedness of the Bank for money borrowed (including indebtedness represented by the bonds, notes, debentures or other similar instruments) or any guarantee by the Bank of indebtedness for money borrowed which, in either case, (i) has an original maturity in excess of one year and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); *provided* that public external indebtedness shall not include any such indebtedness for borrowed money owed to any financial institution in the PRC; and

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. Interest

- (a) *Accrual of interest and payments:* The Bonds bear interest from (and including) 27 September 2018 (the “**Issue Date**”), at the Rate of Interest (as defined below) payable semi-annually in arrear on 27 March and 27 September in each year (each, an “**Interest Payment Date**”) commencing on 27 March 2019; *provided that* if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date is herein referred to as an “**Interest Period**”. In this paragraph, “**business day**” means any day (other than a Sunday or a Saturday) on which commercial banks in Hong Kong settle Renminbi payments and banks in Beijing, PRC are not authorised or obligated by law or executive order to be closed.
- (b) *Cessation of interest:* Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Rate of Interest:* The Bonds bear interest at 4.16 per cent. per annum and references to “**Rate of Interest**” in these Conditions shall be to the rate of interest applicable to the Bonds in question.
- (d) *Calculations of Interest:* Interest in respect of any Notes shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount (the “**Interest Amount**”) shall be calculated by multiplying the Rate of Interest, the Calculation Amount and the actual number of days elapsed in such Interest Period and then dividing the product thereof by 365, and rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards), where “**Calculation Amount**” means CNY10,000. The Fiscal Agent shall notify the Bank, the Paying Agents and the Bondholders, of the Interest Amount payable in respect of the Bonds on the business day prior to the relevant Interest Payment Date for each Interest Period.

5. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 27 September 2020.
- (b) *Redemption for tax reasons:* The Bonds may be redeemed at the option of the Bank in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:
- (i) the Bank has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19 September 2018; and
- (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Bank shall deliver to the Fiscal Agent:

- (A) a certificate signed by an authorised representative of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Bank shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Bank to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued but unpaid interest up to, but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Bond Certificates evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Bank in accordance with Condition 14 (*Notices*). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Bank shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid.

The Bank shall give notice to Bondholders and the Fiscal Agent in accordance with Condition 14 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 5(c) (*Redemption for Change of Control*).

In this Condition 5(c) (*Redemption for Change of Control*):

a "**Change of Control**" occurs when the government of the PRC or persons under the control of the government of the PRC cease to directly or indirectly hold a majority of the ownership interest or equity participation in the Bank.

- (d) *Notice of redemption*: All Bonds in respect of which any notice of redemption is given under this Condition 5 (*Redemption and Purchase*) shall be redeemed on the date specified in such notice in accordance with this Condition 5 (*Redemption and Purchase*). If there is more than one notice of redemption given in respect of any Bond (which shall include any Put Exercise Notice given by a Bondholder pursuant to Condition 5(c) (*Redemption for Change of Control*)) the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given.
- (e) *No Other Redemption*: the Bank shall not be entitled to redeem the Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) to Condition 5(c) (*Redemption for Change of Control*) above.

- (f) *Purchase*: Subject to applicable laws and regulations, the Bank may at any time purchase Bonds in the open market or otherwise and at any price. Any Bonds purchased by the Bank may, at their discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.
- (g) *Cancellation*: All Bonds redeemed by the Bank shall be cancelled and may not be reissued or resold.

6. Payments

- (a) *Principal*: Payments of principal shall (subject as provided below) be made in Renminbi only by transfer to a Renminbi account maintained by the payee with, a bank in Hong Kong and (in the case of redemption) (*provided that* payment is made in full) upon surrender of the relevant Bond Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall (subject as provided below) be made in Renminbi only by transfer to a Renminbi account maintained by the payee with, a bank in Hong Kong and (in the case of interest payable on redemption) (*provided that* payment is made in full) upon surrender of the relevant Bond Certificates at the Specified Office of any Paying Agent.
- (c) *Payments Subject to Fiscal Laws*: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means any day on which commercial banks in Hong Kong settle Renminbi payments and, in the case of surrender (or, in the case of part payment only, endorsement) of a Bond Certificate, in the place in which the Bond Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial Payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Bank shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.
- (f) *Record date*: Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the tenth day before the due date for such payment (the “**Record Date**”).

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

7. Taxation

All payments of principal and/or interest in respect of the Bonds will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the PRC or by or within any of its political subdivisions or authorities having power to tax (a “**PRC Tax**”), unless deduction or withholding of such PRC Tax is compelled by law. Where such withholding or deduction is made by the Bank within the PRC at the rate applicable on 19 September 2018 (the “**Applicable Rate**”), the Bank shall pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Bank is required to make a withholding or deduction by or within the PRC in excess of the Applicable Rate, the Bank shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

- (a) held by a Holder who is subject to such PRC Tax in respect of such Bond by reason of his being connected with the PRC (or any of its political subdivisions) other than merely by holding such Bond or receiving principal or interest in respect of such Bond; or
- (b) held by a Holder 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; or
- (c) where (in the case of a payment of principal or interest on redemption) the relevant Bond Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Bond Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**”, in relation to any payment due on a Bond, means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received in Hong Kong by the Fiscal Agent on or prior to such due date, the date on which the full amount having been so received and notice to that effect has been given to the Bondholders in accordance with Condition 14 (*Notices*).

The obligation of the Bank to pay additional amounts in respect of taxes, duties, assessments and other governmental charges shall 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 interest on the Bonds; *provided* the Bank shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the PRC or any PRC political subdivision or taxing authority, with respect to the Fiscal Agency Agreement or as a consequence of the issue of the Bonds.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

8. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing:

- (a) *Non-payment*: failure by the Bank to pay any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such default continues for 30 days or more; or

- (b) *Breach of other obligations*: default by the Bank in the performance or observance of any of its other obligations under or in respect of the Bonds or the Fiscal Agency Agreement or the Deed of Covenant and such default remains unremedied for 60 days following receipt by the Bank of written notice of such default (with a copy to the Fiscal Agent), by holders of an aggregate principal amount of not less than 10 per cent. of the Outstanding (as defined in Condition 12(d) ("*Outstanding*" Defined)) Bonds, to remedy such failure; or
- (c) *Cross-default*: failure by the Bank to make any payment when due of principal or interest in excess of U.S.\$100,000,000 (or its equivalent in any other currency or currencies) (whether upon maturity, acceleration or otherwise) on or in connection with Public External Indebtedness (other than that represented by the Bonds) or guarantees given by the Bank in respect of Public External Indebtedness of others, and such failure by the Bank to make payment or to validly reschedule the payment (with the consent of the persons to which such Public External Indebtedness is owed) of such Public External Indebtedness continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or
- (d) *Dissolution, Merger, etc.*: an order is issued or any other action is taken by appropriate authorities of or in the PRC for the Bank's dissolution or merger or consolidation (except where the Bank is the continuing entity) or for the transfer or assignment of the whole or a material part of the Bank's assets except, in either case, where all the Bank's obligations under the Bonds then Outstanding are legally assumed by another agency designated by the State Council of the PRC; *provided* that (i) such agency is a solvent financial institution organised and existing under the laws of the PRC, (ii) such agency is controlled, directly or indirectly, by the PRC, (iii) such agency assumes in writing all of the Bank's obligations under the Bonds, and (iv) immediately after giving effect to such transaction no Event of Default or event or condition that, with the giving of notice or the lapse of time or both, would become an event of default has occurred and is continuing; or
- (e) *No liquidity support*: save where the government of the PRC shall guarantee or otherwise assume the indebtedness and all of the Bank's obligations evidenced by the Bonds and the Fiscal Agency Agreement, (i) the People's Bank of China (or the successor central bank of the PRC) ceases or fails to provide the liquidity support stipulated in the Notification of the People's Bank of China dated 20 December 2004 (the "**PBOC Document**") as in effect on the date of issue of the Bonds or (ii) the PBOC Document (1) is modified in a manner which prejudices the rights of the Bondholders or (2) ceases to be valid or effective unless it is replaced by such enactment or legislation which is not prejudicial to the rights of Bondholders,

then each Bondholder may declare the principal of the Bonds to be due and payable immediately by written demand given to the Bank and the Fiscal Agent at the Specified Office of the Fiscal Agent, unless prior to receipt of such demand by the Fiscal Agent, all such defaults have been cured. The Bank shall notify Bondholders and the Fiscal Agent promptly upon becoming aware of the occurrence of any Event of Default, but will not be obligated to furnish any periodic evidence as to the absence of defaults.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Bond Certificates are surrendered for payment within ten years in the case of principal and five years in the case of interest of the appropriate Relevant Date.

10. Replacement of Bond Certificates

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

11. Fiscal Agent and Agents

The Fiscal Agency Agreement contains provisions relating to the obligations and duties of the Fiscal Agent and for the indemnification of the Fiscal Agent and for its relief from responsibility for actions that it takes. The Fiscal Agent is entitled to enter into business transactions with the Bank without accounting for any profit resulting therefrom.

In acting under the Fiscal Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Bank and (to the extent provided therein) the Fiscal Agent does not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders, except that the monies paid to and held by the Fiscal Agent as payment of principal of or interest on the bonds will be received and held by the Fiscal Agent in trust for the Bondholders.

The initial Agents and their initial Specified Offices are listed below. The Bank reserves the right (with the prior approval of the Fiscal Agent) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent or additional or successor paying agents and transfer agents; provided, however, that the Bank shall at all times maintain a paying agent and a transfer agent in Hong Kong. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders.

12. Meetings, Modification of Conditions and Waiver

- (a) *Calling of Meeting, Notice and Quorum*: the Bank may call a meeting of holders of Bonds at any time and from time to time to make, give or take any request, demand, authorisation, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the Bonds to be made, given or taken by holders of the Bonds or to modify, amend or supplement the terms and conditions of the Bonds. Any such meeting shall be held at such time and at such place in Hong Kong as the Bank shall determine and as shall be specified in a notice of such a meeting that shall be furnished to the holders of Bonds at least 30 days and not more than 60 days prior to the date fixed for the meeting (the “**Meeting Notice Period**”). In addition, the Fiscal Agent may at any time and from time to time call a meeting of holders of the Bonds, for any such purpose, to be held at such time and at such place in Hong Kong as the Fiscal Agent shall determine, after consultation with the Bank, and as shall be specified in a notice of such meeting that shall be furnished to holders of the Bonds within the Meeting Notice Period. In case at any time the holders of at least 15 per cent. in aggregate principal amount of the Outstanding Bonds shall have requested the Fiscal Agent to call a meeting of the Bonds, for any such purpose as specified above, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Fiscal Agent shall call such meeting for such purposes by giving notice thereof. Such notice shall be given within the Meeting Notice Period. Notice of every meeting of holders of Bonds shall set forth the time and place of the meeting and in general terms the action proposed to be taken at such meeting. In the case of any meeting to be reconvened after adjournment for lack of a quorum, notice of such meeting shall be given not less than 10 nor more than 15 days prior to the date fixed for such meeting.

To be entitled to vote at any meeting of the Bondholders, a person shall be a holder of outstanding Bonds or a person duly appointed by an instrument in writing as proxy for such a holder. The persons entitled to vote a majority of the aggregate principal amount of the outstanding Bonds shall, other than in respect of a Reserved Matter (as defined below), constitute a quorum. At the reconvening of any meeting adjourned for a lack of a quorum, the persons entitled to vote 25 per cent. of the aggregate principal amount of the outstanding Bonds shall constitute the quorum for the taking of any action set forth in the notice of the original meeting. For the purposes of a meeting of holders of Bonds that proposes to discuss a Reserved Matter, the persons entitled to vote 75 per cent. of the aggregate principal amount of the outstanding Bonds shall constitute a quorum. In the absence of a quorum, a meeting shall be adjourned for a period of at least 20 days. The Fiscal Agent, after consultation with the Bank, may make such reasonable and customary regulations consistent herewith as it shall deem advisable for any meeting of holders of the Bonds, including attendance at such meeting and voting, the proof of the appointment of

proxies in respect of holders of Bonds, determining the validity of any voting certificates or block voting instructions, the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

- (b) *Voting and Consents*: If sanctioned by an Extraordinary Resolution, the Bank and the Fiscal Agent may modify, amend or supplement the terms of the Bonds in any way, and the holders of the Bonds may make, take or give any request, demand, authorisation, direction, notice, consent, waiver (including waiver of future compliance or past default) or other action given or taken by holders of the Bonds; *provided, however*, that the following matters (“**Reserved Matters**” and each, a “**Reserved Matter**”) shall require (i) the affirmative vote, in person or by proxy thereunto duly authorised in writing, of the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds then Outstanding represented at such meeting, or (ii) the written consent of the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds then Outstanding: (A) change the due dates for the payment of principal of, or any instalment of interest on, or any other amount in respect of, any Bond; (B) reduce the principal amount of any Bond; (C) reduce the portion of the principal amount that is payable in the event of an acceleration of the maturity of any Bond; (D) reduce the interest rate on any Bond; (E) change the currency or places in which payment of interest or principal in respect of the Bonds is payable; (F) permit early redemption of the Bonds or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or the redemption price; (G) reduce the above-stated percentage of the principal amount of outstanding Bonds the vote or consent of the holders of which is necessary to modify, amend or supplement the terms and conditions of the Bonds or to make, take or give any request, demand, authorisation, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given; (H) change the obligation of the Bank to pay additional amounts as provided in Condition 7 (*Taxation*); or (I) change the status of the Bonds as described in Condition 1(b) (*Status*). In these Conditions, “**Extraordinary Resolution**” means (a) in respect of a matter other than a Reserved Matter a resolution passed at a meeting of the Bondholders, duly convened and held in accordance with this Schedule, by a majority of not less than 66.67 per cent. of the aggregate principal amount of Bonds then Outstanding represented at such meeting; and (b) in respect of a Reserved Matter a resolution passed at a meeting of the Bondholders, duly convened and held in accordance with this Schedule, by a majority of not less than 75 per cent. of the aggregate principal amount of Bonds then Outstanding represented at such meeting.

In addition, and notwithstanding the foregoing, at any meeting of holders of Bonds duly called and held as specified above, upon the affirmative vote, in person or by proxy hereunto duly authorised in writing, of the holders of not less than 66.67 per cent. of aggregate principal amount of the Bonds then Outstanding represented at such meeting, or by the written consent of the holders of not less than 66.67 per cent. of aggregate principal amount of the Bonds then Outstanding, holders of Bonds may rescind a declaration of the acceleration of the principal amount thereof if the Event or Events of Default giving rise to the declaration have been cured or remedied and provided that no other Event of Default has occurred and is continuing.

The Bank and the Fiscal Agent may, without the vote or consent of any holder of Bonds, amend the Bonds for the purpose of (i) adding to the covenants of the Bank for the benefit of the holders of Bonds, or (ii) surrendering any right or power conferred upon the Bank in respect of the Bonds, or (iii) providing security or collateral for the Bonds, or (iv) curing any ambiguity in any provision, or curing, correcting or supplementing any defective provision, contained herein or in the Bonds in a manner which does not adversely affect the interest of any holder of Bonds, or (v) effecting any amendment which the Bank and the Fiscal Agent mutually deem necessary or desirable so long as any such amendment is not inconsistent with the Bonds and does not, and will not, adversely affect the rights or interests of any holder of Bonds.

It shall not be necessary for the vote or consent of the holders of the Bonds to approve the particular form of any proposed modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action, but it shall be sufficient if such vote or consent shall approve the general substance thereof.

- (c) *Binding Nature of Amendments, Notices, Notations, etc.:* Any instrument given by or on behalf of any holder of a Bond in connection with any consent to or vote for any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Bond or any Bond issued directly or indirectly in exchange or substitution therefor or in lieu thereof. Any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 12(b) (*Voting and Consents*) hereof shall be conclusive and binding on all holders of Bonds, whether or not they have given such consent or cast such vote or were present at any meeting, and whether or not notation of such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action is made upon the Bonds. Notice of any modification or amendment of, supplement to, or request, demand, authorisation, direction, notice, consent, waiver or other action with respect to the Bonds or the Fiscal Agency Agreement (other than for purposes of curing any ambiguity or of curing, correcting or supplementing any defective provision hereof or thereof) shall be given to such holder of Bonds affected thereby, in all cases as provided in the relevant Bonds.

Bonds authenticated and delivered after the effectiveness of any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action may bear a notation in the form approved by the Fiscal Agent and the Bank as to any matter provided for in such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action. New Bonds modified to conform, in the opinion of the Fiscal Agent and the Bank, to any such

modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 12(b) (*Voting and Consents*) hereof may be prepared by the Bank authenticated by the Fiscal Agent and delivered in exchange for outstanding Bonds.

- (d) "*Outstanding*" *Defined*: For purposes of the provisions of the Bonds, any Bond authenticated and delivered pursuant to the Fiscal Agency Agreement shall, as of any date of determination, be deemed to be "**Outstanding**", *except*:
- (i) Bonds duly cancelled by the Fiscal Agent or duly delivered to the Fiscal Agent for cancellation;
 - (ii) Bonds which have become due and payable at maturity or otherwise, and with respect to which, in each case, monies sufficient to pay the principal thereof and any interest thereon shall have been paid or duly provided for; or
 - (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Fiscal Agency Agreement,

provided, however, that in determining whether the holders of the requisite principal amount of outstanding Bonds are present at a meeting of holders of the Bonds for quorum purposes or have consented to or voted in favour of any request, demand, authorisation, direction, notice, consent, waiver, amendment, modification or supplement hereunder, or have delivered any notice in relation to the Bonds, Bonds owned, directly or indirectly, by the Bank will be disregarded and deemed not to be Outstanding, except that in determining whether the Fiscal Agent shall be protected in relying upon any such request, demand, authorisation, direction, notice, consent, waiver, amendment, modification, or supplement, or any such notice from holders, only Bonds that the Fiscal Agent knows to be so owned shall be so disregarded.

13. **Further Issues**

The Bank may from time to time, without the consent of Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects, except for the issue date, issue price and the first payment of interest thereon. Additional bonds issued in this manner will be consolidated with and will form a single series with the Bonds.

14. **Notices**

Notices to the Bondholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail (at the Bank's expense) at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any individual Bond Certificates are issued and so long as the Global Bond Certificate is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg 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.

15. **Governing Law and Arbitration**

- (a) *Governing Law*: The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by English law.

- (b) *Arbitration:*
- (i) Any dispute, controversy or claim arising out of or relating to the Bonds, including any question regarding the breach, termination, existence or invalidity thereof, shall be settled by arbitration administered by the Hong Kong International Arbitration Centre (the “**HKIAC**”) in accordance with the HKIAC Administered Arbitration Rules then in force when the Notice of Arbitration is submitted in accordance with such Rules (the “**Rules**”) and as may be amended by the rest of this Condition.
 - (ii) The seat of arbitration shall be in Hong Kong and the language of the arbitration shall be English. The governing law of this arbitration agreement shall be English law.
 - (iii) The arbitral tribunal (the “**Tribunal**”) shall consist of three arbitrators to be appointed in accordance with the Rules.
 - (iv) The parties agree that any provisions in the Rules relating to applications for emergency relief, consolidation of arbitrations and/or single arbitrations under multiple contracts shall apply to any arbitral proceedings commenced pursuant to this Condition and under any of the subscription agreement dated 19 September 2018 between the Bank and the joint lead managers set out therein, the Fiscal Agency Agreement and the Deed of Covenant.
 - (v) The award of the Tribunal shall be final and binding among the parties regarding any claims, counterclaims, issues, or accountings presented to the Tribunal. To the fullest extent allowed by applicable laws, each party hereby waives any right to appeal such award.
 - (vi) By agreeing to arbitration, the parties shall not be prevented from seeking from any court of competent jurisdiction conservatory or interim relief including a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings and to enforce any award.
 - (vii) For the avoidance of doubt, the parties agree that this Condition 15(b) is, and is to be treated as, an international arbitration agreement, and any dispute, controversy or claim arising out of or relating to the Fiscal Agency Agreement, the Deed of Covenant and the Bonds, including any question regarding the breach, termination, existence or invalidity thereof, is to be arbitrated as an international arbitration in accordance with this Condition 15(b).
- (c) *Cost of arbitration:* The costs of the arbitration shall be allocated between the relevant parties to the arbitration by the Tribunal and shall be set forth in the arbitral award in accordance with the Rules.
- (d) *Waiver of Immunity:* In respect of any proceedings described above, the Bank shall irrevocably consent to the giving of any relief and the issue of any process in connection with such proceedings, including, without limitation, the making, enforcement or execution (against any of the assets of the Bank whatsoever, irrespective of their uses or intended uses), of any order or judgment made or given, in any such proceedings, and to the extent that the Bank may in any jurisdiction claim for itself or its assets, or have attributed to itself or its assets, any right of immunity on the grounds of sovereignty or otherwise from any legal action, suit, proceeding, execution, attachment or other legal process, the Bank shall irrevocably agree not to claim and will waive such immunity to the fullest extent permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

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

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

Under each Global Bond Certificate, the Bank, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions of the Bonds of the relevant series represented by such Global Bond Certificate to the Bondholders in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Bonds of the relevant series.

Each Global Bond Certificate will become exchangeable in whole, but not in part, for individual Bond Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever a Global Bond Certificate is to be exchanged for Individual Bond Certificates, such Individual Bond Certificates will be issued in an aggregate principal amount equal to the principal amount of such Global Bond Certificate within five business days of the delivery, by or on behalf of the registered holders of such Global Bond Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Bond Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of such Global Bond Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Bondholder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (1) Individual Bond Certificates have not been issued and delivered by 5.00 p.m. (local time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the relevant Global Bond Certificate; or
- (2) any of the Bonds evidenced by the relevant Global Bond Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holders of such Global Bond Certificate on the due date for payment in accordance with the terms of such Global Bond Certificate,

then, at 5.00 p.m. (local time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (local time) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the relevant tranche of Bonds (each an "Accountholder") shall acquire under the deed of covenant dated 27 September 2018 with respect to that tranche (each a "Deed of Covenant") rights of enforcement against the Bank ("Direct Rights") to compel the Bank to perform its obligations to the Holder of the Global Bond Certificate in respect of the tranche of Bonds represented by such Global Bond

Certificate, including the obligation of the Bank to make all payments when due at any time in respect of such Bonds in accordance with the Conditions as if such Bonds had (where required by the Conditions) been duly presented and surrendered on the due date in accordance with the Conditions.

The Direct Rights shall be without prejudice to the rights which the Holder of a Global Bond Certificate may have under such Global Bond Certificate or otherwise. Payment to the Holder of the Global Bond Certificate in respect of any Bonds represented by such Global Bond Certificate shall constitute a discharge of the Bank's obligations under the relevant tranche of Bonds and the relevant Deed of Covenant to the extent of any such payment and nothing in such Deed of Covenant shall oblige the Bank to make any payment under the Bonds to or to the order of any person other than the Holder of the relevant Global Bond Certificate.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Bondholders in the manner provided for in the Conditions or the Global Bond Certificates for notices to be given by the Bank to Bondholders.

In addition, each Global Bond Certificate will contain provisions that modify the Conditions of the Bonds as they apply to the relevant tranche of Bonds evidenced by such Global Bond Certificate. The following is a summary of certain of those provisions:

Payment Record Date: Each payment in respect of the Global Bond Certificates will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "Record Date") where "Clearing System Business Day" means a day on which each clearing system for which the Global Bond Certificates are being held is open for business.

So long as the Bonds are represented by any Global Bond Certificate and such Global Bond Certificate is held on behalf of a clearing system, the Bank has promised, *inter alia*, to pay interest in respect of such Bonds in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the relevant Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Bond Certificate.

Exercise of put option: In order to exercise the option contained in Condition 5(c) (*Redemption for Change of Control*) the holders of the Global Bond Certificates must, within the period specified in the Terms and Conditions of the Bonds for the deposit of the relevant Bond Certificate and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Bonds in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 (*Notices*), so long as the Global Bond Certificates are held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System"), notices to holders of Bonds represented by the Global Bond Certificates may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

DESCRIPTION OF THE BANK

Overview

The Bank was incorporated in November 1994 pursuant to the relevant documents issued by the State Council. It is a policy-oriented statutory financial institution under the direct authority of the State Council, which is the highest institution of the PRC government administration, and the only agricultural policy-oriented bank in the PRC. Pursuant to the relevant documents, the Bank operates on an autonomous basis as an economically independent entity with the goal of preserving its capital. The Bank's business is subject to the supervision and direction of the PBOC and CBIRC.

The Bank was established in accordance with the laws, regulations and policies of the PRC government: to raise funds for agricultural policy credit business; to undertake the agricultural policy credit business specified by the PRC government; to act as an agent for the state treasury to allocate funds to support agriculture; to support the implementation of national policies on the agricultural industry and regional development; and to promote the steady and healthy development of the agricultural industry and rural economy.

In accordance with its articles of association and the instructions and requirements of the State Council, the Bank's current principal businesses mainly include:

- Providing loans for purchase, stockpiling, regulation, and distribution of key agricultural products such as grain, cotton, edible oil, sugar, pork, and chemical fertiliser;
- Providing loans in support of the construction of agricultural and rural infrastructure projects, water conservancy projects and circulation systems;
- Providing loans for projects in support of integrated agricultural development, means of production and agricultural science and technology;
- Providing loans for projects in support of renovation of shack settlements and construction of concentrated housing for farmers;
- Providing loans in support of poverty alleviation through relocation, infrastructure in poor areas, development of special industries and special poverty alleviation projects;
- Providing loans in support of town construction, land purchase and stockpiling in counties;
- Providing loans in support of small agricultural enterprises and leading industrial enterprises;
- Organizing and participating in syndicated loans, bill acceptance and discounting and other credit businesses;
- Absorbing deposits from client enterprises and public institutions within the business scope, public deposits in counties other than residents' savings and fiscal balances;
- Issuing financial bonds, conducting settlement, foreign exchange settlement and sale, and foreign exchange trading for customers;
- Opening special accounts for fiscal funds for assisting agriculture as required and disbursing fiscal agriculture-related subsidies;
- Trading, acting as an agent to trade and underwriting bonds;
- Conducting inter-bank borrowing and placement, agency collection and payment, agency insurance, asset securitisation, corporate finance advisory service, and agriculture-related business by way of cooperation with any lease company, agriculture-related guarantee company and agriculture-related investment company or through other methods upon approval; and

- Other services approved by the banking regulatory authority under the State Council.

With particular focus on “Agriculture, Rural Areas and Farmers”, the State Council has adopted a series of agriculture-friendly policies to promote new construction work in rural regions, to modernise agriculture, to increase incomes of farmers, and to promote integration between urban and rural regions. As the only agricultural policy-oriented bank in the PRC under the direct authority of the State Council, the Bank will always implement the national agricultural policies as its top priority and further make full use of its role as a policy bank to exercise nationwide macroeconomic control and promote the development of “Agriculture, Rural Areas and Farmers”.

As at 31 December 2017, the outstanding amount of loans granted by the Bank was RMB4,656.04 billion³, representing an increase of 13.71 per cent., or RMB561.408 billion, from RMB4,094.632 billion⁴ as at 31 December 2016. As at 31 December 2017, the outstanding amount of bonds issued by the Bank was RMB3,813.135 billion, representing an increase of 12.51 per cent. from 31 December 2016. As at 31 December 2017, the Bank’s balance of deposits (including interbank deposits) was RMB1,452.962 billion, representing an increase of RMB23.777 billion compared to 31 December 2016. As at 31 December 2017, the Bank’s financial self-sufficiency rate in relation to those funds (other than the loans from the PBOC) that are raised by the Bank in the capital market and the risks of which are borne solely by the Bank/the aggregate amount of all interest-bearing liabilities was 88.38 per cent., representing a decrease of 1.22 per cent. from 31 December 2016.

As at 31 December 2017, the Bank’s outstanding amount of NPL increased by RMB1.837 billion from 31 December 2016 and the ratio of non-performing loans was 0.81 per cent., representing a decrease of 0.07 per cent. from 31 December 2016. As at 31 December 2017, the outstanding amount of the loan loss provisions was RMB148.88 billion, representing a net increase of RMB35.168 billion; the NPL provision coverage ratio as at 31 December 2017 was 393.68 per cent. representing an increase of 77.65 per cent. from 316.03 per cent. as at 31 December 2016. The cost to income ratio for the year ended 31 December 2016 was 26.07 per cent., representing a decrease of 4.01 per cent. from the year ended 31 December 2016. As at 31 December 2017, the Bank’s capital adequacy ratio was 4.12 per cent.

Credit Strengths

The Bank believes that it has the following credit strengths:

Strong Credit Profile

As the only agricultural policy-oriented statutory financial institution in the PRC under the direct authority of the State Council, the Bank will always implement the national agricultural policies as its top priority and further make full use of its role as a policy bank to exercise nationwide macroeconomic control and promote the development of “Agriculture, Rural Areas and Farmers”. The Bank also aims to develop into a modern financial corporation in the PRC.

The PRC government provides financial support for the business activities of the Bank. According to the Special Decree, the financial support of the PRC government available to the Bank includes: (a) capital contribution by the PRC government, (b) fiscal subsidies from the MOF, and (c) loans in the form of re-lending provided by the PBOC.

In view of its unique policy bank role and link with the PRC government, the Bank enjoys the same recognition in terms of ratings as China’s sovereign debt. Please refer to “Credit Rating”.

Unique Position as Sole Agricultural Policy Bank

As the PRC has the largest population in the world, agriculture plays a key role in the economic development and stability of society in the country. With the Bank’s unique position as the sole

³ Note: The outstanding amount of loans did not take into account the provision deduction factor.

⁴ Note: The outstanding amount of loans was not deducted from loan loss provision.

agricultural policy bank in the PRC, it plays an important role in maintaining national food security, stability of the grain and cotton markets, protecting farmers' interests as well as serving rural revitalisation strategy. This is reflected in the Rural Revitalisation Strategic Plan from 2018 to 2022 released by the PRC government which outlines the major targets for agricultural output over the next five years and No.1 Central Document issued by the PRC government from 2015 to 2018. In Document No.1 issued in 2015, the PRC government has specified that the Bank should strengthen its policy function as well as increase lending to construction of agricultural and rural infrastructure including conservancy and roads in poor areas. In No.1 Central Document issued in 2016, the PRC government has stressed that the Bank should strengthen its medium to long term credit loans in "Agriculture, Rural Areas and Farmers". In No.1 Central Document issued in 2017, the PRC government has in particular specified that the Bank will improve the risk compensation mechanism and capital supplement system and increase credit support for the acquisition of entities in the diversified food market. In No.1 Central Document issued in 2018, the PRC government has in particular specified that the Bank will clarify its positioning of responsibilities in rural revitalisation, strengthen innovation in financial services and increase medium to long term credit support for rural revitalisation.

Focused Strategy

The Bank was established in accordance with the laws, regulations and policies of the PRC government: to raise funds for agricultural policy credit business; to undertake the agricultural policy credit business specified by the PRC government; to act as an agent for the state treasury to allocate funds to support agriculture; to support the implementation of national policies on the agricultural industry and regional development; and to promote the steady and healthy development of the agricultural industry and rural economy.

In order to achieve the objectives of the Five-Year Plan, the Bank is committed to implementing the national economic and financial policies and "Agriculture, Rural Areas and Farmers" policy; continuing to promote progress while maintaining stability; insisting on high-quality development; focusing on the strategy of serving rural revitalisation and serving agricultural supply-side structural reform; and serving national strategy, macro-control and development of "Agriculture, Rural Areas and Farmers".

The Bank will continue to develop its international and intermediary businesses, products and services innovation, client development strategies and financial services function.

Frequent Onshore Issuer

The Bank is one of the largest bond-issuing entities in the PRC domestic market. As at 31 December 2017, the Bank issued financial bonds in an aggregated amount of RMB1.04 trillion, along with a total worth of RMB3.81 trillion of bonds outstanding, making the Bank the third largest issuer in China's bond market.

Experienced Management Team Appointed by the State Council

Pursuant to the Bank's articles of association, the chairman, vice chairman, president and vice-presidents of the Bank are appointed by the State Council. The Bank believes that its management team (comprising of the chairman, Mr. Xie Xuezhi, the vice chairman and president, Mr. Qian Wenhui, five vice-presidents, Mr. Bao Jian'an, Mr. Lin Li, Mr. Yin Jiuyong, Mr. He Xing Xiang and Mr. Sun Lansheng, assistant to the vice chairman and president, Mr. Zhu Yuanyang and secretary of the board, Mr. Zhou Liangwei) is well experienced in the banking industry and capable of providing expertise to achieve the Bank's business development objectives.

Comprehensive Risk Management System and Improved Internal Operational Mechanism

The Bank has a comprehensive risk management system and an improved internal operational mechanism which led to an improvement in (a) the asset quality of the Bank and decline in the outstanding amount of NPL and NPL ratio and (b) the operational performance of the Bank.

As at 31 December 2017, the outstanding amount of NPL of the Bank increased by RMB1.837 billion from 31 December 2016. The NPL ratio was 0.81 per cent., representing a decrease of 0.07 per cent. from 31 December 2016.

The Bank has reformed its internal operational mechanism in the following manner (a) market-driven financing mechanism so that its principal source of funds is the proceeds from issue of financial bonds to domestic banks and financial institutions, (b) performance appraisal system based mainly on seven indicators, namely, rate of decline in the outstanding amount of NPL, NPL ratio, return on assets, cost to income ratio, profits per capita, deposits per capita and intermediary business income per capita for the head office to appraise the performance of each of its provincial branches, (c) segmented management of policy-related and self-run-related businesses to enable the Bank to allocate its resources and risks between these two business segments more efficiently and (d) resource allocation mechanism linked with credit planning, financial fees, total wages and results of performance appraisal which will be utilised by its head office in deciding the resource allocation to the various provincial branches of the Bank.

The net profits of the Bank increased from RMB16.207 billion for the year ended 31 December 2016 to RMB17.118 billion for the year ended 31 December 2017. The cost to income ratio for the year ended 31 December 2017 was 26.07 per cent., representing a decrease of 4.01 per cent. from the year ended 31 December 2016.

Organisational Structure

The headquarters of the Bank is located in Beijing. As at 31 December 2017, there was a business outlet of the headquarters of the Bank, 31 provincial branches, 335 regional/municipal branches (including the business outlets equivalent to provincial branches) and 1,831 sub-branches at the county/township-level (including the business outlets equivalent to regional/municipal branches), with a network covering all regions in the PRC.

The network of the Bank's provincial branches is set out below:



Relationship with the PRC Government

Government Ownership

As a policy-oriented statutory financial institution under the State Council, the Bank has no share capital, and no person other than the PRC government has, or can obtain, an ownership interest or equity participation in the Bank. The Bank has a registered capital of RMB57 billion, all of which has been contributed by the PRC government through the MOF. The Bank's financial accounts are also subject to the approval of the MOF. In addition, because of the Bank's role in the implementation of the PRC's agricultural policies, the MOF has confirmed that it will compensate the Bank for any losses incurred by the Bank in its policy-oriented banking operations. In the event of any funding shortfall of the Bank, the PBOC will provide financial support by, among others, granting loans in the form of re-lending to the Bank.

Government Supervision

The Bank's operations are subject to the direct leadership of the State Council and to the supervision and direction of the PBOC and CBIRC. The articles of association of the Bank were adopted by the State Council and may only be amended with the State Council's approval.

At the end of each year, the Bank submits its annual credit and funding plans for the following year to the PBOC for approval. In addition, the Bank reports to the PBOC periodically with respect to the implementation of its annual credit and funding plans and any significant issues relating to its credit operations. The Bank's operation-related activities (including lending, financing and investment) are subject to the supervision and direction of the MOF and the CBIRC. The Bank submits its annual consolidated financial statements to the MOF for review and approval.

The chairman, vice chairman, president and vice presidents of the Bank are appointed by and report directly to the State Council. The board of supervisors was appointed by the State Council to conduct supervision on the financial activities and operational management activities of the Bank, and the performance of the board and senior management of the Bank on behalf of the PRC government. Since early 2000, similar to every other major state-owned financial institution, the Bank has been subject to on-site and off-site supervision of financial institution supervisors designated by the State Council.

Government Support

In addition to contributions to the capital of the Bank, the PRC government provides direct and indirect financial support for the business activities of the Bank. According to the Special Decree, the financial support of the PRC government available to the Bank include: (a) capital contribution by the PRC government, (b) fiscal subsidies from the MOF and (c) loans in the form of re-lending provided by the PBOC.

The MOF normally provides its fiscal subsidies to the Bank in the following circumstances: (a) in the event that the Bank is unable to recover the principal and/or interest of the policy-based loans granted by the Bank, the Bank shall make an application to the MOF for the fiscal subsidies in relation to such unpaid principal and/or interest. The MOF will verify such amount applied for, and allocate fiscal subsidies in the amount of such unpaid principal and/or interest approved by it to the Bank; and (b) in the event that the Bank incurs a loss for any financial year based on its consolidated financial statements, the Bank shall make an application to the MOF for the fiscal subsidies in relation to such loss incurred. The MOF will verify such amount applied for, and provide fiscal subsidies in the amount of such loss approved by it to the Bank at the end of each financial year.

Pursuant to the PBOC Document, the PBOC undertakes and is obligated to provide loans in the form of re-lending to the Bank in the event the Bank experiences any liquidity shortfall. The obligation of the PBOC to make such loans to the Bank does not constitute a guarantee of the Bonds, and is not enforceable against the PBOC by, and does not confer any right under or in respect of the PBOC Document upon, any investor in the Bonds and holders of other indebtedness of the Bank.

Principal Businesses

The Bank's principal businesses include the credit business, investment business, international business and funding business.

Credit Business

As at 31 December 2017, the Bank granted an aggregate RMB1.56 trillion of loans, with a total loan balance of RMB4.66 trillion, representing an increase of RMB561.4 billion compared to 31 December 2016.

The Bank provides a full range of lending support and services to agriculture-related corporate and institutional customers and other economic entities. The Bank's credit business includes primarily the lending businesses in the following areas: serving the national food security strategy, assisting in targeted poverty alleviation, actively supporting agricultural modernisation, making all efforts to serve rural modernisation and supporting the promotion of coordinated regional development.

The following table sets out the projects under the credit business of the Bank as at 31 December 2017.

| Project Name | Location | Amount of Loans (RMB1,000) |
|--|-----------|-------------------------------|
| Poverty alleviation through relocation project in Wanyuan City of Sichuan | Sichuan | 3,985 |
| Industrial poverty alleviation project "Gongcha" in Enshi of Hubei | Hubei | 82,000 |
| "Cliff Village" paving a way through steel ladder | Sichuan | 60,000 |
| Qinghai Wulan Chaka poverty alleviation project through tourism | Qinghai | 145,000 |
| Promoting high-standard farmland construction projects throughout the province of Jiangxi | Jiangxi | 5,970,000 |
| Construction projects of non-profit agriculture products wholesale market in Lanzhou, Gansu Province | Gansu | 500,000 |
| Modern featured agricultural demonstration area project in Yulin, Guangxi | Guangxi | 300,000 |
| Ecological reserve forest project in Ji County | Tianjin | 968,600 |
| Urban village renovation projects of shack settlements in Helan, Ningxia | Ningxia | 630,000 |
| Henan Jiyuan Hekou Village reservoir project | Henan | 296,000 |
| Chongqing Liangpin rural highway project | Chongqing | 600,000 |
| Anhui Lixin beautiful village | Anhui | 555,000 |
| Fujian Changle pavement reconstruction project | Fujian | 500,000 |
| Yunan Dehong Prefecture saccharose industry project | Yunan | 968,000 |
| Poverty alleviation through relocation project of Qinghe Xinjiang | Xinjiang | 560,000 |

Serving the national food security strategy

Supporting purchase and stockpiling of grain, cotton and edible oil is not only a glorious duty and political mission assigned by the Party Central Committee and State Council but also the foundation of the existence, the development and the priority of the Bank. The Bank actively catered to the need of the reform of purchase and stockpiling mechanism for grain and pricing mechanism for agricultural products, by giving full play to its role as the major provider of purchase and stockpiling funding, so as to effectively safeguard national food security and farmers' benefits. The Bank implemented the national grain reserve policies to timely provide adequate credit facilities for rotation and increase of central grain reserve, and implemented the national macro-control policies to fund the purchase of rice and wheat at the lowest prices, and dedicated efforts in funding market-driven purchases of grain and oil, to support market-driven purchases, and readily provided assistance for promoting the national cotton targeted price reform, and effectively provided credit support for cotton acquisition.

Assisting in targeted poverty alleviation

The Bank has established a framework for serving the poverty alleviation program with its best efforts, and promoted the implementation of the overall strategy of the Bank in respect of serving the poverty elimination in the process of supporting agricultural development, to realise stable development of the poverty alleviation businesses. The Bank carefully implemented the strategy of targeted poverty alleviation and elimination, focused on serving the registered poverty-stricken population on themes such as “no more worry about food and clothes, and get guaranteed on compulsory education, basic medical services and residential safety”, and centred its work on the poverty-stricken regions such as “Three Areas (namely, Tibet, four prefectures in South Xinjiang and Tibetan-inhabited areas in four other provinces) and Three Prefectures (namely, Linxia Prefecture in Gansu, Liangshan Prefecture in Sichuan and Nujiang Prefecture in Yunnan)”, particularly supporting poverty alleviation through relocation and poverty alleviation through industry. The Bank spared no efforts to improve credit support for poverty alleviation through infrastructure, and proactively participated in the targeted poverty alleviation action of “10,000 enterprises assisting 10,000 villages”. The Bank used various innovative modes and methods to steadily explore and refine the pilot zones of poverty alleviation through policy-backed finance, and the targeted poverty alleviation action. As the Bank implemented list management, its loan accuracy and poverty alleviation efficiency has increased significantly.

In 2017, the Bank released loans for targeted poverty alleviation totalling RMB512.0 billion and the year-end balance of total loans amounted to RMB1.26 trillion, representing a year-on-year increase of 40 per cent.. The Bank supports for the poverty-stricken regions improved significantly, and loans totalling RMB67.89 billion were granted for “Three Areas and Three Prefectures” as the poverty-stricken regions and the year-end balance increased by RMB41.65 billion, or 52.8 per cent., comparing with the year-beginning balance.

(1) Loans granted for poverty alleviation through relocation

The Bank continuously improved its credit policies and furthered efforts on loan management, to effectively support the implement of 13th Five-Year Poverty Alleviation through Relocation Plan. As of 31 December 2017, the Bank provided loans amounting to RMB253.86 billion for poverty alleviation through relocation, representing an increase of RMB61.72 billion compared to beginning of the year. For the previous 600 projects that the Bank has been supporting for poverty alleviation through relocation, the Bank granted loans timely and fully in accordance with the progress of the projects, and devoted its best efforts to support the work of the poverty alleviation through relocation in various areas.

(2) Loans granted for poverty alleviation through grain, cotton and edible oil

In the impoverished areas within the main production areas of grain and cotton, the Bank set up a “green channel” for the sale of grain to the impoverished population, and continuously worked on the

provision of grain, cotton and edible oil poverty alleviation industry credit. Loans totalling RMB99.016 billion were granted for poverty alleviation through grain, cotton and edible oil during the year of 2017, represented a net increase of RMB71.970 billion, supporting the registered poverty-stricken population of 2.6985 million people, an increase of 922.5 thousand people.

(3) *Loans for targeted poverty alleviation infrastructure*

Focusing on unresolved issues such as traffic, equalisation of public services, improvement of living environment and transfer of rural poverty population, the Bank devoted all efforts to enhance credit service for poverty alleviation through infrastructure and continuously raised the supply of public goods especially in poor areas. During the year of 2017, loans for targeted poverty alleviation totalling RMB262.55 billion were granted for poverty alleviation through infrastructure during the year, representing a net increase of RMB176.01 billion.

(4) *Poverty alleviation system of special industry*

The Bank constructed and perfected a poverty alleviation product system for special industries. Throughout the year of 2017, the Bank granted loans for targeted poverty alleviation totalling RMB14.134 billion for industry-leading enterprises, RMB9.422 billion for forestry resources development and protection, RMB7.83 billion for rural land circulation and scale operation, RMB5.924 billion for rural circulation systems, RMB2.138 billion for agricultural science and technology and agricultural production materials, in addition to other special poverty alleviation loans totalling RMB9.427 billion for projects within the scope of poverty alleviation through tourism, poverty alleviation through photovoltaic, poverty alleviation through network and others.

(5) *Supporting the targeted poverty alleviation action of “10,000 enterprises assisting 10,000 villages”*

The Bank set up a poverty alleviation action project library to support the “10,000 enterprises assisting 10,000 villages” targeted poverty alleviation programme. As at 31 December 2017, 911 enterprises were targeted for 31 provincial branches from the project library of the Bank with loan balance amounting to RMB51.475 billion, which served to motivate and support a poverty population of about 739,300 people. The Bank also provided support to 102 out of 116 demonstration enterprises, with RMB16 billion in loans.

Supporting agricultural modernization

In accordance with the requirements of “thriving businesses”, the Bank adhered to a rural vitalisation strategy relying on quality and greenness, supported agricultural modernisation through innovation, closely focused on establishing industrial, production, and business operation systems for modern agriculture, intensified efforts to support the construction of high-standard farmland, rural land transfer and scale operation, and forestry ecosystem protection, and promote agricultural transformation and upgrading, the enhancement of production capacity and the integrated development of the primary industry, secondary industry and tertiary industry, actively participated in and promote rural reform, and consolidated the industrial foundation for rural revitalisation.

In 2017, the Bank released loans totalling RMB123.69 billion supporting various projects of agricultural modernisation, provided support for the construction of high-standard farmland of 22.51 million mu through innovation model and expanded the green area of national reserve forest bases to 4.72 million mu.

(1) *Loans for high-standard farmland construction*

In order to implement the national policy on promoting the construction of high-standard farmland on a large scale, the Bank focused on supporting influential, high-standard farmland construction projects

which are carried out across an entire region. As at 31 December 2017, the Bank provided support for a total of 166 high-standard farmland construction projects and approved loans totalling RMB40.9 billion. It is expected that the newly increased area of high-standard farmland will amount to 22.51 million mu.

(2) *Loans for rural land transfer and scale operation*

The Bank expanded its business through its dealings with CSFAC, The Xinjiang Production and Construction Corps and various modern agricultural parks, and supported the integrated development of agricultural industrialisation through innovative means in some areas to help farmer to get rid of poverty and become better off. As at 31 December 2017, the Bank released an aggregate of RMB17.509 billion in loans for the support of rural land transfer and scale operation, and had RMB26.609 billion in loan balance, representing an increase of RMB15.36 billion by 136.55 per cent. as compared to that at the beginning of the year.

(3) *Loans for innovations in agricultural science and technology*

The Bank focused on supporting leading and high credit standing leading seed enterprises that use integrated cultivation-breeding-promotion operations as recognised by the Ministry of Agriculture, actively provide support to developing applications of scientific and technological achievements in the areas of agricultural machinery equipment, smart agriculture and ecological environmental protection, and supported the platform construction of agricultural science and technology park and helped the agricultural high-tech enterprises within the park. As at 31 December 2017, the Bank released an aggregate of RMB5.609 billion in loans for agricultural technology innovations.

(4) *Loans for leading industrial enterprises*

According to the integrated development strategy of the primary industry, secondary industry and tertiary industry, the Bank focused on poverty alleviation, prioritised the support for the processing of competitive agriculture products and extension of industrial development, supported intensive processing and high-end customers with higher added value and gave full play to the leading role of major agriculture industrial enterprises. As at 31 December 2017, the Bank released an aggregate of RMB30.405 billion in loans for major industrial enterprises and had RMB39.709 billion in loan balance, of which loans for poverty alleviation amounted to RMB16.054 billion.

(5) *Loans for construction of rural circulation system*

The Bank prioritised the support for the construction of traditional circulation formats, such as agriculture products market system, food safety logistics system, logistics nodes infrastructure and rural market system, and actively supported the development of “Internet+modern agriculture”, such as e-commerce industrial park, e-commerce platform for agriculture products and rural e-commerce operation service system. As at 31 December 2017, the balance of loans for the construction of rural circulation system was RMB31.812 billion, representing an increase of RMB4.779 billion as compared to that of at the beginning of the year.

(6) *Loans for forestry resource development and protection*

Drawing on the experience attained in pilot projects, the Bank conducted comprehensive loan business for forestry resource development and protection, and furthered its support for key forestry projects in afforestation, natural forestry resource protection, and another move of turning farmland and pasturage into forests and grasslands, prevention and control of desertification, and wetland conservation and restoration. As at 31 December 2017, the Bank completed related business trials and started to enforce the new policies nationwide with total loans released amounting to RMB26.088 billion and recorded loan balance of RMB25.223 billion.

(7) *Loans for marine resource development and protection*

The Bank actively carried out pilot loan services for marine resource development and protection, and provided key support for the fundamental and strategic marine industries, such as modern marine fishery, modern marine service industry, marine strategic emerging industry and other primary strategic marine industries that are engaged in protective development of marine resources, so as to contribute to the green development of marine economy. As at 31 December 2017, four pilot banks of the Bank approved loans totalling RMB6.41 billion and released RMB2.006 billion in loans, with a loan balance of RMB1.776 billion.

Making all efforts to serve rural modernisation

The Bank increased the investment in the construction of rural infrastructure, proactively served rural supply-side structural reform, provided strong support for the weakness and key aspects during the process of agricultural and rural reform, and gave effective play to adjusting structure, strengthening areas of weakness and lowering costs to accelerate the construction of modern agriculture and facilitate the integrated urban-rural development. The Bank strongly supported renovation of shack settlements and made all efforts to accelerate the business development regarding renovation of shack settlements. The Bank actively implemented the construction requirement of “constructing, managing, maintaining and operating rural roads well”, focused on providing support for the transportation construction projects in contiguous poverty-stricken areas, the improvement of rural living environment, the disposal of rural sewage and garbage as well as rural dilapidated housing rehabilitation.

In 2017, the Bank released loans totalling RMB859.05 billion for infrastructure. As at 31 December 2017, balance of loans for infrastructure amounted to RMB2.15920 trillion, representing a net increase of RMB452.35 billion.

(1) *Loans for renovation of shack settlements*

The Bank deeply implemented the work arrangements of the Party Central Committee and the State Council, gave full play to the role of major financing channel of renovation of shack settlements, focused on supporting the renovation of urban villages, the renovation of shack settlements in state-owned forest areas, and the dilapidated housing rehabilitation in state-owned reclamation areas, and continued to provide credit support for the renovation of shack settlements. The Bank approved loans amounting to RMB653.31 billion for renovation of shack settlements and released RMB427.39 billion in loans, representing a net increase of RMB404.87 billion over the beginning of the year.

(2) *Loans for water conservancy construction*

The Bank optimised its credit policies, created new financial products, improved service capabilities, continued to increase support for major national water conservancy projects, and promoted the development of local water conservancy infrastructure construction. The Bank released RMB78.35 billion in loans to finance 619 major water conservancy projects and farmland water conservancy construction projects in the year.

(3) *Loans for rural transportation*

In order to implement the construction requirement of “constructing, managing, maintaining and operating rural roads well”, the Bank actively provided support for the construction of rural highways to facilitate the connectivity and convenience between urban and rural areas and get through the “last one kilometer”, and spared no efforts to resolve transportation difficulties in rural areas. The Bank released RMB104.98 billion in loans for rural transportation to finance 609 transportation construction projects in the year.

(4) *Loans for improving rural living environment*

In order to improve rural production and living condition and build a beautiful village, the Bank actively supported the sewage and garbage disposal and dilapidated housing rehabilitation in rural areas, and promoted the improvement of rural living environment. The Bank released RMB71.48 billion in loans for improving living environment to finance 437 sewage and garbage disposal and dilapidated housing rehabilitation projects in rural areas in the year.

(5) *Loans for integrated construction of urban and rural areas*

The Bank provided stronger credit support for the new urbanization construction field, made all efforts to promote modern agriculture and coordinated development of urban and rural areas, finance construction projects of public service system involving rural education, medical treatment and elderly care. The Bank extended RMB160.0 billion in loans for integrated construction of urban and rural areas in the year of 2017. As at 31 December 2017, the balance of loans amounted to RMB623.2 billion.

Supporting the promotion of coordinated regional development

The Bank actively followed the national coordinated regional development strategy, increased efforts in model innovation, put national policy requirements into practice, and promoted a new landscape for regional development. The Bank organised and established Xiong'an Branch to vigorously support the construction of Xiong'an New Area and promote the coordinated development of Beijing, Tianjin, and Hebei province. The Bank focused on key areas such as poverty alleviation, agricultural and rural infrastructure construction, and agro-industries, and strengthened support for old revolutionary base areas, ethnic minority areas, border areas, and poverty-stricken areas, and assisted in the development of the western regions. The Bank supported the construction of infrastructure projects such as water, electricity, road and communication and new urbanisation construction projects, promoted the economic development of the provinces along the Yangtze Economic Belt through the Belt and Road Initiative. The Bank launched new products for marine resource development and protection, and exploited new paths to serve the coordinated regional development.

Investment Business

The investment business of the Bank mainly includes funding for key projects, intermediary, investment banking, asset management and equity investment business.

The Bank strived to enhance the risk control and investment management of its existing projects, and implemented mechanisms such as carrying out risk identification frequently, establishing appraisal mechanism, developing management measures and strengthening technology support, in order to guarantee a more controllable overall risk tolerance of the fund so that the fund may operate steadily. In December 2017, the Bank made an investment of RMB2 billion in Sichuan Jinyu Guaranty Corporation (四川金玉擔保公司) through China Agricultural Development Key Construction Fund Co., Ltd. (中國農發重點建設基金有限公司).

For intermediary business, the Bank dedicated further to offer discount on service offerings through benefits sharing. Since 1 November 2017, investment and financing advisory service fee has been exempted if customers are to conduct financing through the Bank. In 2017, revenues from intermediary business amounted to RMB401 million, representing a decrease by 59 per cent. or RMB570 million as compared with that of last year.

The investment banking business of the Bank mainly includes underwriting business of non-financial corporate debt financing instruments and credit asset securitisation business.

The asset management business of the Bank mainly includes providing wealth management products of closed non-net value type, which are low-risk products (Risk Level I). Aside from the six

guaranteed income products in 2015, the Bank mainly provides wealth management products of guaranteed floating income. As at the end of 2017, the Bank launched a total of 20 wealth management products with an aggregate size of RMB4.43 billion. In 2015, 2016 and 2017, the Bank launched seven, five and eight wealth management products respectively, with the wealth management size of RMB1.48 billion, RMB1.45 billion and RMB1.5 billion, respectively.

The Bank conducts its equity investment business principally through fund management subsidiaries. The Bank established the following subsidiaries together with other joint entities since 2012. As at the end of 2017, the Bank also invested through China Agriculture Industry Development Fund and Modern Seed Industry Development Fund in 41 projects with an aggregated amount of RMB4.267 billion.

- China Agricultural Industry Development Fund (中國農業產業發展基金): established in December 2012, with the total fund management size of RMB4 billion;
- Modern Seed Development Fund (現代種業發展基金): established in January 2013, with the initial fund management size of RMB1.5 billion; and
- Beijing Xiannong Investment Management Co., Ltd. (北京先農投資管理有限公司): established in January 2013 to manage, operate and advise Modern Seed Development Fund, with the registered share capital of RMB20 million.

International Business

The Bank's international business system includes international settlements, trade finance, foreign exchange and others. In 2017, the Bank handled an aggregated total of 47,872 international settlements that valued a total of USD10.631 billion. In the same year, the Bank's trade finance business was valued at USD1.48 billion; and revenues from foreign exchange business were RMB 120 million.

The Bank's international business also includes foreign currency lending business relating to its principal business, international settlement business under customer capital, import and export trade and non-trade as well as foreign currency deposits, foreign exchange remittances, foreign exchange interbank borrowing, foreign exchange settlement and sale, agency services for foreign exchange trading and other businesses supporting international settlement business.

In 2017, Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Financial Services L.L.C. ("S&P") assigned to the Bank the same ratings as China's sovereign debt. Please see the table below for the ratings of the Bank in 2017:

| | Rating Agency | Rating for China's Sovereign Debt | Rating for the Bank |
|------------|---------------|--------------------------------------|------------------------|
| 2017 | Moody's | A1(stable) | A1(stable) |
| | S&P | A+(stable) | A+(stable) |

Funding Business

The Bank raised funds through multiple means by leveraging financial bonds as the major fund-raising channel, and supplemented by other means including re-lending from PBOC, and inter-bank activities.

In 2017, the Bank raised a total of RMB1.51 trillion, providing powerful support for all areas of business development. As at 31 December 2017, interest-bearing liabilities of the Bank totalled RMB5.97 trillion, representing an increase by 10.53 per cent. or RMB0.57 trillion as compared with that as at 31 December 2016. In 2017, the cumulative supply of funds throughout the year totalled RMB5.27 trillion, representing a decrease of RMB0.85 trillion as compared with that in 2016.

Credit Rating

The Bank is a policy-oriented statutory financial institution under the direct authority of the State Council which was established in accordance with the Special Decree. The Bank has a registered capital of RMB57 billion, which was allocated by the MOF on behalf of the State Council. The Bank's main sources of funds include the loans in the form of re-lending provided by the PBOC, issue of bonds, deposits by enterprises and institutions which maintain accounts with the Bank and fiscal deposits. The Articles of Association of the Bank provide that the Bank raises funds for agricultural policy credit business based on state credibility. Therefore, the bonds issued by the Bank are called "policy bonds" or "quasi-sovereign bonds". The Bank operates on an autonomous basis as an economically independent entity with the goal of moderate profitability while preserving its capital. The Bank's business is subject to the supervision and direction of the PBOC and CBIRC. The final accounts of the Bank are reviewed by the MOF, and the policy-related loss incurred in the Bank's operations are reimbursed by the MOF. In the event the Bank experiences any liquidity shortages, the PBOC will provide funds to the Bank in the form of re-lending. The Bank is currently not entitled to any preferential policies such as tax credit and refund other than an exemption from stamp duty on policy loans with fiscal interest discounts and the deduction of the full amount of loan loss provision made in the required proportion for losses from agriculture-related loans and small and medium enterprise loans from taxable income from 2008 to 2014.

Article 59 of the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)* promulgated and implemented by CBIRC provides that the risk weightage for a commercial bank to a creditor of a policy bank of China shall be zero per cent.

Sources of Funds

In addition to capital contribution by the PRC government and the fiscal subsidies offered by the MOF, the Bank may obtain funds from a variety of sources, e.g. the issue of RMB denominated and foreign currency denominated debt securities in the domestic and international capital markets, deposits of enterprises, fiscal deposits and special deposits, interbank time deposits and loans in the form of re-lending from the PBOC. As at 31 December 2017, interest-bearing liabilities of the Bank reached RMB5.97 trillion, representing an increase of RMB0.57 trillion from 31 December 2016.

The chart below shows the breakdown of interest-bearing liabilities of the Bank by source of funds for the periods specified:

| | Interest-bearing Liabilities | |
|--|------------------------------|-----------------|
| | As of 31 December | |
| | 2016 | 2017 |
| | (in billions of RMB) | |
| Source of Funds | | |
| Unit deposit | 1,407.87 | 1,437.41 |
| Borrowings from PBOC | 562.00 | 694.20 |
| Due to banks | 25.33 | 14.40 |
| Placement from interbank borrowing | 0.02 | — |
| Refundable deposits | 19.09 | 15.40 |
| Bonds payable | 3,389.01 | 3,813.13 |
| Total | 5,403.31 | 5,974.54 |

Re-lending by the PBOC

Pursuant to the PBOC Document, the Bank may also take up loans from the PBOC. Please refer to “Relationship with the PRC Government — Government Support”. The Bank may take up such loans from the PBOC to meet its cash flow needs prior to the availability of long-term financing.

Interbank Borrowings

The Bank’s interbank borrowings are unsecured loan facilities obtained from other financial institutions in the interbank market through mutual enquires and independent negotiations for the primary purpose of short-term position adjustment. These borrowings can effectively cover the Bank’s temporary funding demand which arises from the implementation of the policies of the PRC government on the purchase and sale of grain, cotton and oil.

The Bank was officially granted the right to engage in interbank borrowing business in October 2004. Since the official commencement of the interbank borrowing business in 2005, the business volume has been growing steadily. The deal value for the years ended 31 December 2016 and 2017 is RMB28,515.2 billion and RMB27,101.3 billion, respectively.

Financial Bonds

The Bank’s principal source of funds is the proceeds from issue of financial bonds to domestic banks and financial institutions. The interest rate and maturity date for the domestic financial bonds are determined by market forces. Every end of year, the Bank submits its application to the PBOC for approval of its fundraising plan for the following year. The PBOC reviews such application in light of the Bank’s annual lending plan and the Bank’s funding from other sources. The Bank has been issuing RMB-denominated financial bonds through auctions in the domestic interbank market. The term of the bonds issued by the Bank ranges from three months to 20 years, covering all standard terms of bonds. The types of bonds issued include discount bonds, floating-rate bonds, investor’s option bonds and additional bonds.

As at 31 December 2017, the Bank issued 910 batches of financial bonds in the PRC and raised approximately RMB6,898.2 billion in total; issued nine batches of financial bonds in Hong Kong and raised an aggregate principal amount of approximately RMB11.0 billion; and redeemed financial bonds in the PRC worth approximately RMB3,086.7 billion in total. As at 31 December 2017, the weighted average maturity of bonds outstanding was 4.03 years. In 2017, the Bank issued 209 batches of financial bonds in the PRC and raised an aggregate principal amount of approximately RMB1,040.0 billion, and redeemed bonds worth approximately RMB603.7 billion in total. In 2017, the weighted average term of bonds issued by the Bank was 5.09 years, the average issue cost was 4.12 per cent. and the average subscription rate was 3.63 times.

Deposits of Enterprises

The Bank provides RMB time deposits and demand deposits services to enterprises that fall within the business scope of the Bank specified by the State Council. As at 31 December 2017, the balance of foreign and domestic deposits of enterprises with the Bank reached approximately RMB1,316.0 billion, representing an increase of RMB21.8 billion, or 1.67 per cent., from 31 December 2016. As at 31 December 2017, the balance of RMB deposits of enterprises with the Bank reached RMB1,315.2 billion, representing an increase of RMB21.9 billion, or 1.69 per cent., from 31 December 2016.

Fiscal Deposits and Special Deposits

As at 31 December 2017, the balance of fiscal deposits and special deposits of the Bank amounted to approximately RMB136.9 billion, representing an increase of RMB3.3 billion, or 2.47 per cent., from 31 December 2016.

Interbank Time Deposits

As at 31 December 2017, the balance of interbank time deposits of the Bank amounted to approximately RMB1.88 billion, representing a decrease of RMB3.3 billion, or 92.43 per cent., from 31 December 2016.

Interest Rate Management

For the year ended 31 December 2017, the Bank's weighted average interest rate of loans was 4.69 per cent., representing an increase of 10.0 per cent. from the year ended 31 December 2016.

Other Business

The Bank's other businesses include transaction business, credit evaluation, approval and audit, loan responsibility management, loan distribution and payment supervision, post-loan management, credit asset risk control and asset quality and loan loss provisions.

Transactions Business

For the year ended 31 December 2017, the total amount of transactions conducted by the Bank was approximately RMB27,101.3 billion, representing a decrease of approximately RMB1,413.9 billion from the year ended 31 December 2016. The total amount of transactions includes approximately RMB25,504.1 billion from the short-term currency market business (including interbank borrowings and bonds repurchase) which represents 94.1 per cent. of the total amount, approximately RMB93.8 billion from the note trading business which represents 0.35 per cent. of the total amount and approximately RMB1,503.4 billion from interbank and bond trading business which represents 5.55 per cent. of the total amount.

Credit Evaluation, Approval and Audit

The Bank has a credit management system that separates the credit reviewing and approval process from the credit granting process. Based on this system, the Bank conducts its credit business by allocating different job responsibilities (such as investigation, verification, review and approval) to different departments at different levels with different authorities.

Loan Responsibility Management

The Bank has guidelines on credit evaluation for its loans and guarantees.

The Bank has implemented a three-level (namely, the performer level, the reviewer level and the approver level) loan responsibility management system for its lending business. The Bank conducts the preliminary credit evaluation review; the reviewer reviews and verifies the work of the performer; and the approver makes the final decisions.

In accordance with the Bank's loan responsibility management measures, the loan responsibility management is divided into the following steps:

(1) Acceptance for Handling

- The customer service manager of the account opening branch will act as the performer to conduct a preliminary investigation of the customer's loan application and provide initial investigation comments and for an application considered to be acceptable to the performer, to collect and collate information concerning such loan application for reporting to the higher level, which information together with the investigation comments will form the application materials of such customer. The customer service manager will be responsible for the truthfulness and validity of the application materials.

- The vice president in charge of the customer service department of the account opening branch will act as the final reviewer to review the initial investigation comments and provide review comments and to review the application materials and provide review comments. He will be responsible for the compliance, truthfulness and completeness of the application materials.
- The president of the account opening branch will act as the verifier to verify the initial investigation comments and decide whether to report to the higher level branch and to review the application materials and decide whether to accept and handle the loan application on a preliminary basis.

(2) Application Reassessment

- The customer service manager of the reassessing branch (a second-tier branch and/or a branch at the provincial level between the accounting opening branch and the authorised approving branch) will act as the performer to reassess the application materials submitted by the branch at the lower level and provide the reassessment comments. In the absence of any objection after such reassessment, the customer service manager of the reassessing branch will be responsible for the validity, completeness and compliance of the application materials.
- The head of the customer service department and the vice president in charge of customer service of the reassessing branch will act as the reviewer to review the reassessment comments and application materials and provide review comments.
- The president of the second-level branch will act as the verifier to review and verify the reassessment comments and application materials and decide whether to accept and handle the reassessment.

(3) Investigation

- The members of an investigation team made up of the customer service manager of the authorised approving branch and the customer service managers transferred from other relevant branches at all levels will act as the performers to conduct an investigation on the customer's loan application based on the type of loan for which a customer has applied for in accordance with the relevant credit regulations, demonstrate the necessity and feasibility of granting such loan, prepare the investigation report and present the investigation findings, and collect the relevant information, which together with the investigation report and related documents will be collated to form the investigation materials. The investigators will be responsible for the truthfulness and validity of the investigation materials.
- The vice-head of the customer service department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer to review the investigation materials and provide review comments.
- The president in charge of the customer service department of the authorised approving branch will act as the final verifier to verify the investigation materials and decide whether to forward the investigation materials to the finance planning department, legal affairs department, credit approval department and risk management department for review.

(4) Loan Pricing and Loan Plan Examination

- The loan pricing examination personnel from the loan planning department of the authorised approving branch will act as the performer to examine the aspects relating to

loan pricing in the investigation materials submitted by the customer service department in accordance with the loan pricing regulations and provide examination comments. The loan pricing examination personnel will be responsible for the compliance and feasibility of the loan pricing.

- The loan plan examination personnel from the loan planning department of the authorised approving branch will act as the performer to examine the loan plan, in particular to examine the compatibility of the financing needs with the relevant loan plan and provide examination comments. The loan plan examination personnel will be responsible for the feasibility of the loan size.
- The vice-head of the loan planning department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer in respect of the loan pricing and loan plan examination to review the comments of the relevant examination performer.
- The head of the loan planning department of the authorised approving branch will act as the reviewer and upon the approval of whom, the review comments will be submitted to approval department for consolidation. The head of the credit approval department will act as approver to decide whether to submit such comments to the loan review committee (hereinafter referred to as the “Loan Review Committee”) for review.

(5) Legal Examination

- The legal examination personnel from the legal compliance department of the authorised approving branch (including the legal examination personnel transferred from other relevant branches at all levels) will act as the performer to examine the investigation materials on the security to be provided for the loan according to the type of loan for which a customer has applied and the regulations relating to the legal examination, and present the legal examination comments. The legal examination personnel will be responsible for the legality of the loans and the security.
- The vice-head of the legal compliance department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer to review the legal examination comments and provide review comments.
- The head of the legal compliance department of the authorised approving branch will act as the reviewer and upon the approval of whom, the review comments will be submitted to approval department for consolidation. The head of the credit approval department will act as approver to decide whether to submit such comments to the Loan Review Committee for review.

(6) Loan Examination

- The loan examination personnel from the credit approval department of the authorised approving branch (including the loan examination personnel transferred from other relevant branches at all levels) will act as the performer to examine the completeness and compliance of the investigation materials and the risks involved according to the lending business examination measures and guidelines on lending business management, highlight the risks involved in the loan and provide loan examination comments.
- The vice-head of the credit approval department of the authorised approving branch (including the head of the relevant division where the head office is the authorised approving branch) will act as the reviewer to review the loan examination comments and provide review comments.

- The head of the credit approval department of the authorised approving branch will act as the reviewer and upon the approval of whom, the review comments will be submitted to approval department for consolidation. The head of the credit approval department will act as approver to decide whether to submit such comments to the Loan Review Committee for consideration.

(7) Risk Examination

- The loan examination personnel from the risk management department of the authorised approving branch will act as the performer to examine the guarantor's guarantee ability and collateral value according to the relevant regulations and measures on lending business and present the legal examination comments. The legal examination personnel will be responsible for the legality of the loans and the security.
- The loan examination personnel from the risk management department of the authorised approving branch will act as the reviewer and upon the approval of whom, the review comments will be submitted to approval department for consolidation. The head of the credit approval department will act as approver to decide whether to submit such comments to the Loan Review Committee for review.

(8) Consideration

For any lending business which is subject to the consideration of the Loan Review Committee Meeting, the Loan Review Committee of the authorised approving branch shall hold a Loan Review Committee Meeting according to relevant regulations to consider and vote on the lending business. Voting shall take the form of disclosed ballot and decisions shall be made by the majority of votes.

(9) Examination and approval

The authorised approving person shall examine and approve the lending business according to the result of the consideration, investigation/examination comments and information on the relevant lending business. The president (general manager) of the authorised approving branch or the vice president (deputy general manager) who has been authorised by the president (general manager) will act as the authorised approver.

The lending procedure of head office is from the investigation and review within provincial branches (in relation to credit loan examination, fund pricing examination, legal examination and guarantee ability/collateral value examination), the review comments of which will be submitted to the head office for further examination (credit loan examination and legal examination), review and approval. The responsibility of each branch will be consistent with those as specified in the basic procedures above.

Steps (1), (3), (6) and (9) above are the steps which must be undertaken in the examination and approval of each loan. For any lending business which is subject to the review of the Loan Review Committee Meeting, the authorised approver has the right to reject any lending business that has been approved by the Loan Review Committee Meeting or to propose a review, but has no right to alter any voting result of the Loan Review Committee Meeting which rejects or proposes to review any lending business. The authorised approver has the final say with regard to the approval of a loan.

Loan Distribution and Payment Supervision

Before a loan is disbursed, the Bank will agree on the conditions of the loan with the customer pursuant to the relevant review and approval comments. Once the conditions of the loan are satisfied, the responsible customer service manager will deliver the loan contract or agreement to the authorised signatories of the lender and the borrower for signing. In the event of any failure to fulfil such conditions by the customer, the Bank will refuse to disburse the loan. When disbursing the loan, the Bank will examine the relevant evidence to ensure that the loan will be utilised for the agreed purposes. In the event of any failure to utilise the loan for the agreed purposes, the Bank will discontinue the grant of any subsequent loan.

Post-loan Management

After releasing the loans, the Bank may regularly inspect the execution of loan agreements as well as the operations, financial condition and guarantees of the customers. The Bank's branch at a higher level may regularly supervise the post-loan inspection conducted by the Bank's branch at a lower level. Once a potential risk that may endanger the safety of the Bank's credit assets is identified, the Bank may choose to discontinue its relationship with clients whose industries have been classified as "restricted" and "eliminated" by the State Council, or who have been classified as having high financial risks or who have been restricted from enjoying the credit support policies of the Bank. The account opening branch of the Bank may also supervise the borrower's performance under the loan agreement so as to ensure that the borrower pays the principal and interest on time.

Credit Asset Risk Control

The Bank adopts a credit asset quality classification system so as to regularly evaluate its credit asset quality. The Bank's credit assets are classified as Normal, Special Mention, Substandard, Doubtful and Loss based on the risks involved, of which the assets classified as Substandard, Doubtful and Loss are non-performing assets. Credit assets are classified as Normal if the borrower is capable of performing its obligations under the contract and there is no sufficient reason to believe the principal and interest of the loan will not be fully repaid when due. Credit assets are classified as Special Mention if the borrower is currently capable of repaying the principal and interest of the loan, but there are certain factors which may adversely affect the repayment. Credit assets are classified as Substandard if the borrower is obviously having difficulty in repaying the loan and is incapable of fully repaying the principal and interest of the loan by solely relying on its usual operating revenue. Certain losses may still be incurred even if the Bank enforces the security. Credit assets are classified as Doubtful if the borrower is incapable of fully repaying the principal and interest of the loan and relatively serious losses will certainly be incurred even if the Bank enforces the security. Credit assets are classified as Loss if the principal and interest of the loan cannot be recovered or only a very small portion is recovered after all possible measures or necessary legal proceedings have been taken or initiated. The Bank has put in place a system for identifying and monitoring the non-performing credit assets so as to identify any new non-performing credit asset according to the defined procedures and standards. The main factors considered by the Bank in the evaluation of credit asset quality are to assess the possibility of such customer fully repaying the principal and interest of the loan when due based on the customer's credit rating and by reference to the evaluation results of such customer and its debts.

Meanwhile, the Bank has further optimised its NPL management mechanism and implemented a series of management measures. For example, the Bank implemented a management mechanism where NPL recovery was correlated with credit sources, financial loss, bad debt write-off and differentiated lending authority. The Bank has also waived off-balance-sheet overdue interest, restructured loans, taken collateral for debt, transferred NPL in batches and carried out bad debt write-offs to eliminate risks. For the year ended 31 December 2017, the Bank recovered NPL worth RMB22 million by waiving off-balance-sheet overdue interest, representing a decrease of RMB34 million from the year ended 31 December 2016.

(1) *Asset Quality*

The Bank's credit assets are classified as "Normal, Special Mention, Substandard, Doubtful and Loss" based on the default risks involved, of which the assets classified as "Substandard, Doubtful and Loss" are non-performing assets. As at 31 December 2017, the outstanding amount of NPL of the Bank increased by RMB1.837 billion from 31 December 2016. The NPL ratio was 0.81 per cent., representing a decrease of 0.07 per cent. from 31 December 2016. For the year ended 31 December 2017, the annual total recovery of non-performing loans by cash reached RMB4.05 billion, representing a decrease of RMB1.82 billion from the year ended 31 December 2016.

(2) *Loan Loss Provisions*

The Bank maintains loan loss provisions against potential default in the payment of loan principal on the basis of the evaluation conducted by the Bank on its loan assets included in its consolidated balance sheet. The off-balance-sheet loan assets (which mainly include bank acceptance bills which totalled RMB2.32 billion as at 31 December 2017 and issued guarantees which totalled RMB0.41 billion as at 31 December 2017) are not counted in such evaluation or calculation of such loan loss provisions. According to the agency arrangements between the Bank and the MOF, the Bank has no liability for the payment of any principal and interest with respect to any loan projects undertaken by the PRC central or provincial government authority or guaranteed by the PRC central or provincial government authority. The document issued by MOF with regard to the making of loan loss provision specifically provides that the document applies mutatis mutandis to policy banks. The Bank has made full provision for loss in connection with policy loans.

(3) *Provisions for Assets Write-down*

For the year ended 31 December 2017, the loan loss provision made by the Bank recorded a net increase of RMB35.17 billion, representing an increase of RMB15.30 billion from the year ended 31 December 2016. As at 31 December 2017, the outstanding amount of the Bank's loan loss provision was RMB148.88 billion, and the loan loss provision coverage was 393.68 per cent., representing an increase of 77.65 per cent. from 31 December 2016. In addition, for the year ended 31 December 2017, the outstanding amount of the provisions for write-down of assets for debt payment was RMB1.51 billion, representing an increase of RMB0.16 billion from 31 December 2016.

Debt Repayment Record

The Bank has never defaulted in the repayment of principal of or interest on any of its obligations.

Employees

As at 31 December 2017, the Bank has employed approximately 52,166 staff.

Properties

The head office of the Bank is located at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, China.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The operations of the Bank are currently managed by one chairman, one vice chairman, one president, five vice presidents, one assistant to president and one secretary of the board as appointed by the State Council. The business address of the management of the Bank is at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, China.

Chairman

The Bank's chairman is the legal representative of the Bank.

President, Vice Presidents and Assistant to President

The president is responsible for the operational management of the Bank. Vice presidents and assistant to president provide support to the president and are authorised by the president to further delegate work and responsibilities.

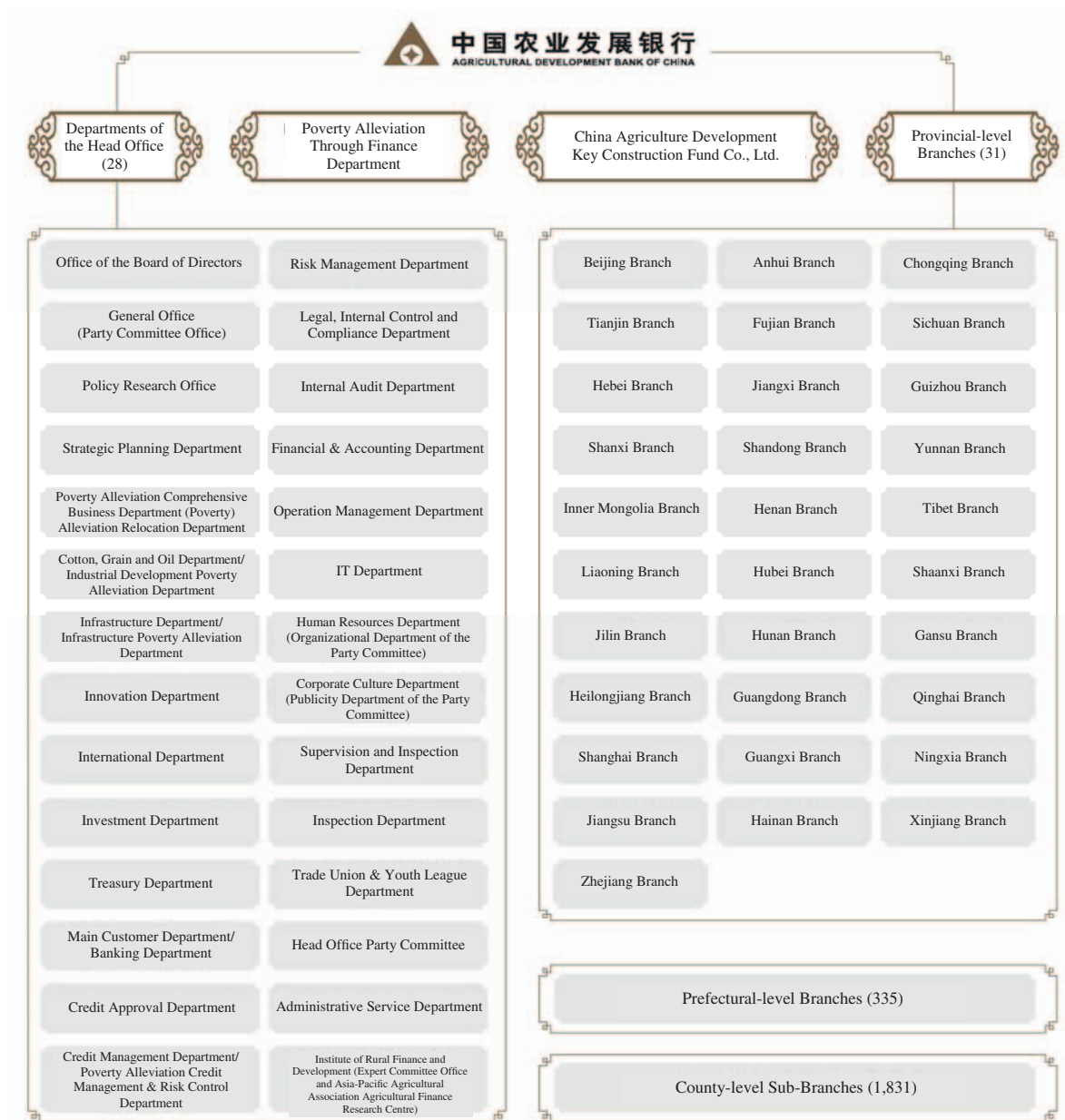
Board of Supervisors

The Bank's board of supervisors is designated by the State Council, and represents the state to monitor the financial activities, operational management and performance of the president and senior management of the Bank.

Departments

Each of the vice presidents and assistant to president is responsible for certain departments of the Bank and are authorised by the president to delegate work and responsibilities.

Set out below is the organisation chart of the Bank:



(The Poverty Alleviation Finance Department has under it a Poverty Alleviation Comprehensive Business Department, a Poverty Alleviation Relocation Department, an Industry Development Poverty Alleviation Department, an Infrastructure Poverty Alleviation Department and a Poverty Alleviation Credit and Risk Control Department.)

Biographies of the Chairman, Vice Chairman, President, Vice Presidents, Assistant to President and Secretary of the Board

Set out below are the biographies of the Bank's chairman, president, vice presidents, assistant to president and secretary of the board as at the date of the Offering Circular.

Mr. Xie Xuezhì, Chairman. Dr. Xie was appointed as secretary of CPC Committee and chairman of the Bank in March 2015. He holds a PhD degree. He began his career in July 1976 and was formerly appointed as assistant president of Dongbei University of Finance & Economics in June 1994, deputy director general of Department of Personnel and Education of the Ministry of Finance in April 1996, director general of Department of Tax Regime and Rules of the Ministry of Finance in July 1998, director general of Department of Taxation of the Ministry of Finance in June 2000, vice chairman of the People's Government of Tibet Autonomous Region in September 2002, member of the Party Leadership Group of National Council for Social Security Fund and vice president in October 2004, member of the Party Leadership Group of State Administration of Taxation and deputy administrator in April 2007, deputy secretary of the Party Leadership Group of State Administration of Taxation and deputy administrator in April 2012.

Mr. Qian Wenhui, Vice Chairman and President. Mr. Qian was appointed as Deputy Secretary of CPC Committee, vice chairman and the president of the Bank in December 2017. He holds a master's degree. He began his career in July 1985 and was formerly appointed as deputy general manager of China Construction Bank Shanghai Branch in November 1999, the head of Asset and Liability Management Committee Office of China Construction Bank and concurrently Head Office Structural Reform Office of the China Construction Bank from October 2001 to March 2003, the general director of Asset and Liability Management Committee Office of China Construction Bank from March 2003 to October 2004 (concurrently the head of the Restructuring and Reform Office of China Construction Bank from October 2003 to October 2004), member of the Party Committee and vice president of the Bank of Communications from October 2004 to January 2007 (concurrently the general manager of Bank of Communications Shanghai Branch from July 2005 to November 2006), member of the Party Committee, executive director and vice president of Bank of Communications from January 2007 to February 2015, deputy secretary of CPC Committee and the chairman of Supervisory Board of ICBC from February 2015 to December 2017.

Mr. Bao Jian'an, Vice President. Mr. Bao was appointed as a vice president of the Bank and a member of CPC Committee in December 2009. He holds a master's degree in economics. He began his career in June 1976 and was formerly appointed as member of the Party Committee and assistant general manager of Jiangxi Branch of the Bank in August 1998, member of the Party Committee and deputy general manager of Jiangxi Branch of the Bank in February 2000, secretary of the Party Committee and general manager of Jiangxi Branch of the Bank in August 2003.

Mr. Lin Li, Vice President. Dr. Lin, was appointed as a vice president of the Bank and a member of CPC Committee of the Bank in January 2014. He is a senior economist, holds a PhD degree in economics. He began his career in July 1990. In February 2003, he was appointed as secretary of the Board and deputy general manager of the General Office (Office of the Party Committee) of China Everbright Group. From March 2005 to December 2008, he served as member of the Board, secretary of the Board, general manager of the General Office (Office of the Party Committee) of China Everbright Group. During this period of time, Dr. Lin also served as director of the Office for Restructuring Affairs of China Everbright Group, director of Executive Director Office of China Everbright Group Co., Ltd (Hong Kong), chairman of the Supervisory Board of China Everbright Investment and Assets Management Co., Ltd, secretary of the Party Committee and chairman of the Board of Everbright Property Company Limited. From December 2008 to January 2014, he served successively as deputy secretary of the Party Committee, disciplinary secretary, vice president, and executive vice president of China Everbright Bank.

Mr. Yin Jiuyong, Vice President. Dr. Yin was appointed as a vice president of the Bank and a member of CPC Committee in May 2014. With a PhD degree, he began career in July 1993. Dr. Yin was

formerly appointed as deputy general manager of the Credit Department I and deputy general manager of the Customer Relations Department I of the Bank in December 2000, general manager of the Customer Relations Department I of the Bank in August 2008, secretary of the Party Committee and general manager of Henan Branch of the Bank in January 2011, general manager of General Office (Office of the Party Committee) of the Bank in December 2013.

Mr. He Xingxiang, Vice President. Mr. He was appointed as a vice president of the Bank and a member of CPC Committee of the Bank in October 2014. With a master's degree in management, Mr. He began his career in August 1982. He was formerly appointed as member of the Party Committee and deputy general manager of Jilin Branch of Bank of China in March 2003, secretary of the Party Committee and general manager of Hainan Branch of Bank of China in September 2004, secretary of the Party Committee and general manager of Shandong Branch of Bank of China in April 2008.

Mr. Song Xianping, Secretary of Committee for Discipline Inspection. Mr. Song was appointed as a member of CPC Committee and secretary of committee for discipline inspection of the Bank in December 2016. With a master's degree, Mr. Song began his career in July 1988. He was formerly appointed as vice general manager of the Bank and the search office of the Bank, general manager of the search office of the Bank in February 2002, deputy secretary of the Party Committee of Jilin Branch of the Bank in March 2005, secretary of the Party Committee and president of Jilin Branch of the Bank in June 2005, officer in charge of the risk management department and general manager of the Bank in November 2007, managing executive of risk management in December 2008 and general manager of the risk management and "Agriculture, Rural Areas and Farmers" risk management centre in April 2014.

Mr. Sun Lansheng, Vice President. Mr. Sun was appointed as a member of CPC Committee and vice president of the Bank in April 2018. With a master's degree from the Party School of the Central Committee of CPC, Mr. Sun is a senior economist and began his career in October 1988. He was formerly appointed as deputy director of the Party Committee of the Bank in December 2000, member of the Party Committee and deputy director of Guangxi Branch of the Bank in March 2008, member of the Party Committee of Zhejiang Branch of the Bank in January 2010 and secretary of the Party Committee and president of Ningbo Branch, president of Fujian Branch of the Bank in March 2012 and chief risk officer of the Bank in April 2017.

Mr. Zhu Yuanyang, Assistant to President. Mr. Zhu was appointed as assistant president and general manager of the Customer Relations Department I of the Bank in September 2014. With a master's degree from the Party School of the Central Committee of CPC, Mr. Zhu began his career in July 1977. He was formerly appointed as deputy general manager of the Credit Department I of the Bank in August 1998, general manager of the Credit Department I, general manager of the Customer Relations Department I of the Bank since December 2000, secretary of the Party Committee and general manager of Heilongjiang Branch of the Bank in August 2008, general manager of the Customer Relations Department I of the Bank in January 2011.

Mr. Zhou Liangwei, Secretary of the Board. Mr. Zhou was appointed as secretary of the board of the Bank in April 2017. With a master's degree in economics, Mr. Zhou is a senior economist and began his career in December 1980. He was formerly appointed as member of the Party Committee and assistant to president of Jiangxi Branch of the Bank in August 2001, vice president of Jiangxi Branch of the Bank in August 2003, deputy secretary of the Party Committee of Jiangxi Branch of the Bank in December 2006, deputy secretary of the Party Committee and president of Anhui Branch of the Bank in April 2009, general manager of finance and accounting department of the Bank in March 2012 and secretary of the Party Committee and president of Guangdong Branch of the Bank in March 2016.

PRC CURRENCY CONTROLS RELATING TO RENMINBI

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The PBOC also permit enterprises in the China (Shanghai) Free Trade Pilot Zone (“Shanghai FTZ”) to establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “foreign debt”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “outbound loans”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “cross-border security”). Under current rules promulgated by SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current

PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor (“RQFII”) regime and the China Interbank Bond Market (“CIBM”), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of purchase, ownership and disposition of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the EIT Law and its implementation regulations and IIT Law of the PRC, which was amended on 30 June 2011 and took effect on 1 September 2011, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprise Bondholders in the case of non-resident enterprise without offices or premises inside the PRC or with offices or premises within PRC but such gains have no actual connection to the offices or premises, 25 per cent. enterprise income tax rate for non-resident enterprise Bondholders in the case of non-resident enterprise holders with offices or premises inside the PRC and such gains are obtained by the offices or premises and 20 per cent. for non-PRC resident individuals.

Such income tax shall be withheld by the Bank that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. The tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by SAT. To enjoy this preferential tax rate of 7 per cent., the Bank could apply, on behalf of the Bondholders, to SAT for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Bonds.

VAT

Circular 36 confirms that business tax will be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which attracted business tax are entirely replaced by, and subject to, VAT.

According to 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 “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the interpretation of “loans” under Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Bank, which thus could be regarded as the provision of financial services that could be subject to VAT. Further, given that the Bank 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 interest 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. Given that the Bank pays interest income to Bondholders who are located outside of the PRC, the Bank, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

Where a Bondholder 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 Bank does not have the obligation to withhold the VAT or the local levies.

Circular 36 became effective on 1 May 2016 and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law, the Business Tax Laws and the VAT reform detailed above, the Bank shall withhold EIT, (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Bank shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Bank is required to make such a deduction or withholding (whether by way of EIT, business tax or VAT otherwise), the Bank has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see Condition 7 (*Taxation*) of the Terms and Conditions of the Bonds.

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 Bondholders is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Bonds) or interest on the Bonds or in respect of any capital gains arising from the sale 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).

Interest 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:

- (a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or
- (c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112 of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

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 the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

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 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” and each an “IGA”), 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 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Bank has been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter. Other than on reversal of impairment provisions taken on assets, PRC Accounting Standards have substantively converged with IFRS. Accordingly, there are no other significant differences between the principal accounting policies adopted by the Bank and IFRS. The difference on reversal of impairment provisions taken on assets is discussed in further detail in this section.

Reversal of Impairment Losses on Assets

In accordance with to PRC Accounting Standards No. 8 — Impairment of Assets, an asset impairment loss that has been recognised shall not be reversed in subsequent accounting periods, while in accordance with IAS 36 Impairment of Assets, an entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognised in prior periods for an asset other than goodwill can be reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount of that asset since the last impairment loss was recognised.

Business Combinations Under the Common Control

A business combination under the common control has specific provisions in PRC Accounting Standards No. 20 — Business Combinations, also the recognition and measurement of the investment has specific provisions in accordance with to PRC Accounting Standards No. 2 — Long-term Equity Investments, but IFRS 3 Business Combinations does not make specific discussion on business combination under the common control.

For the years ended 31 December 2016 and 2017, respectively, the Bank had no such reversal of impairment losses on assets and business combinations under the common control. Therefore, the above technical difference had no substantial impact on the consolidated financial statements of the Bank included elsewhere in this Offering Circular.

Application of fair value

IFRS emphasize the use of fair value, while PRC accounting standards emphasize book value. Like international accounting standards, IFRS emphasize the use of fair value in asset valuation, especially in asset transactions. According to the current accounting system and the issued accounting standards in mainland China, the book value is basically used as the basis of assets valuation. This difference is highlighted in the treatment of investment and non-monetary transactions.

The above analysis is not meant to be an exhaustive description of all significant differences between PRC GAAP and IFRS. In making an investment decision, investors must rely upon their own examination of the Bank, the Group, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information.

SUBSCRIPTION AND SALE

The Bank has entered into a subscription agreement with the Joint Lead Managers dated 19 September 2018 (the “Subscription Agreement”), pursuant to which and subject to certain conditions contained therein, the Bank has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for or to procure subscribers to subscribe and pay for, (i) the USD Bonds at an issue price of 100.00 per cent. and (ii) the CNY Bonds at an issue price of 100.00 per cent. of their respective principal amounts as set out in the Subscription Agreement.

The Subscription Agreement provides that (1) the Joint Lead Managers and their respective affiliates, and their respective directors, officers, employees or agents will be indemnified against certain liabilities in connection with the offer and sale of the Bonds; (2) the Bank will pay each Joint Lead Manager a management commission in respect of the Bonds subscribed by it; and (3) the Bank may pay certain third parties (such as the Agents) certain fees and expenses. 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 it in certain circumstances prior to payment being made to the Bank.

The Joint Lead Managers and certain of their respective subsidiaries or affiliates may have in the past performed and may in the future perform certain investment banking and advisory services for, and enter into certain commercial banking transactions with, the Bank or its affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Bank and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Bank and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as 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 also be purchasers of the Bonds).

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 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 the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds 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 the Joint Lead Managers, 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 the Joint Lead Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Bank in such jurisdiction.

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 unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold and will not offer or sell any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly that neither it nor any of its affiliates (including any person acting on behalf of the Joint Lead Managers or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds.

Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

HONG KONG

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (1) 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 (2) 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
- (b) 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 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.

PRC

Each of the Joint Lead Managers has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

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 of the Joint Lead Managers represents, warrants and undertakes 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.

UNITED KINGDOM

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any 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.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the 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 any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the 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 (as defined in Section 239(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:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

TAIWAN

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 of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be issued, offered or sold 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 of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Bonds in Taiwan. The Bonds may be made available outside Taiwan for purchase outside Taiwan by Taiwan resident investors, but may not be offered or sold in Taiwan.

MACAU

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

GENERAL INFORMATION

- 1. Legal Entity Identifier:** The Legal Entity Identifier code of the Bank is 300300C1020311000158.
- 2. Clearing Systems:** The USD Bonds have been accepted for clearance through Euroclear and Clearstream under ISIN XS1880465098 and Common Code number 188046509. The CNY Bonds have been accepted for clearance through Euroclear and Clearstream under ISIN XS1880465171 and Common Code number 188046517.
- 3. 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 Deeds of Covenant and the Fiscal Agency Agreement, including (i) the written resolutions of the 6th Party Committee's work conference meeting of the Bank dated 9 February 2018; (ii) the approval from NDRC obtained by the Bank on 9 April 2018 with respect to the issuance of the Bonds; and (iii) the approval from the PBOC obtained by the Bank in respect of the Bonds on 9 March 2018.
- 4. Registrations and Filings:** The Bank undertakes to submit or cause to be submitted with the NDRC, the PBOC and SAFE after the Issue Date, within the time period prescribed by the NDRC, the PBOC and SAFE respectively, in each case pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority. The Bank will submit for recordation of the proceeds of the Bonds to the Capital Account Information System of SAFE and may directly go through the formalities for withdrawal and repayment in connection with foreign debts pursuant to the Interim Measures and the Foreign Debts Measures.
- 5. No Material Adverse Change:** Except as disclosed in the Offering Circular, there has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Bank since 31 December 2017.
- 6. Litigation:** As at the date of this Offering Circular, neither the Bank or its subsidiary is involved in any litigation or arbitration proceedings that the Bank believes are material in the context of the Bonds, nor is the Bank aware that any such proceedings are pending or threatened.
- 7. Available Documents:** Copies of the Deeds of Covenant, the Fiscal Agency Agreement, the approval of the PBOC dated 9 March 2018, the approval of the NDRC dated 9 April 2018 and the Except of the Articles of Association of the Bank will be available for inspection from the Issue Date at the corporate headquarters and principal place of business of the Bank in the PRC at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, PRC during normal business hours, so long as any of the Bonds is outstanding. Copies of the Bank's annual report for the year ended 31 December 2017 will be available for inspection from the Issue Date at the Fiscal Agent's office at 20 Pedder Street, Central, Hong Kong, during normal business hours, so long as any of the Bonds is outstanding.
- 8. Financial Statements:** English translation of the Audited Financial Statements, which have been audited by Grant Thornton as stated in its report appearing therein, are included elsewhere in this Offering Circular. These consolidated financial statements of the Bank are prepared in accordance with PRC GAAP. These consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.
- 9. Listing:** An 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. It is expected that such permission will become effective on or around 28 September 2018. In addition, an application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange.

INDEX OF FINANCIAL STATEMENTS

| | Page |
|--|-------------|
| The consolidated financial statements of the Bank as at and for the year ended 31 December 2017 | |
| Auditors' Report | F-2 |
| Consolidated and Parent Statement of Financial Position | F-5 |
| Consolidated and Parent Statement of Comprehensive Income | F-7 |
| Consolidated and Parent Statement of Cash Flows | F-8 |
| Consolidated and Parent Statement of Changes in Equity | F-9 |
| Notes to the Financial Statements | F-13 |

Auditor's Report

Zhitongshenzi [2018] No. 110ZA5582

To the owner of Agricultural Development Bank of China,

We have audited the accompanying consolidated and parent financial statements of Agricultural Development Bank of China Company Limited (hereinafter "ADBC"), which comprise the consolidated and parent statement of financial position as at December 31, 2017, the consolidated and parent statement of comprehensive income, the consolidated and parent statement cash flows and the consolidated and parent statement of changes in equity for the year then ended, and the notes to the consolidated and parent financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respects, the consolidated and parent financial position of the ADBC as at December 31, 2017, and the consolidated and parent financial performance and cash flows for the year then ended.

Basis of Forming the Audit Opinion

We conducted our audit in accordance with Chinese Certified Public Accountants' Auditing Standards (hereafter, the Standards). Section *Auditor's Responsibilities for the Audit of the Financial Statements* further illustrate our responsibilities in accordance with the Standards. In accordance with the Chinese Certified Public Accountants Ethical Requirements, we are independent of the ADBC and fulfill our ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the ADBC is responsible for preparing and presenting the financial statements in accordance with Accounting Standards for Business Enterprises and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the ADBC' s going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the ADBC, discontinue operation of the ADBC or has no other practical alternative.

Those charged with governance are responsible for monitoring the ADBC' s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatements, whether due to fraud or error; and issue an audit report which includes an audit opinion. Reasonable assurance is a high level assurance; however, a high level assurance does not guarantee a material misstatement is always detected by an audit performed in accordance with the Standards. A misstatement can be resulted from either fraud or error. Misstatements are material if individually or in aggregate the misstatements may influence the economic decision of the users of the financial statements by using the financial statements.

During the performance of our audit in accordance with the Standards, we involve professional judgements and maintain profession skepticism; also, we perform the following procedures:

- A. We identify and assess risks of material misstatements resulted from fraud or error; design and implement audit procedures to mitigate those risks; and obtain sufficient and appropriate audit evidence as basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, false statement or override over internal controls, the risk of not detecting material misstatements resulted from fraud is higher than the risk of not detecting material misstatements resulted from error.
- B. We obtain an understanding of internal controls relevant to the audit and design audit procedures accordingly, but not for the purpose of expressing an opinion on the effectiveness of internal controls.
- C. We assess the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates adopted by and related disclosure presented by the management.
- D. We conclude on the appropriateness of the management's going-concern assumption; we also conclude on the existence of significant uncertainty in relation to matters or events which

may trigger significant doubt on ADBC's going-concern status. Where we conclude that significant uncertainty exists, we disclose in our audit report, in accordance with the Standards, a paragraph that the users of the financial statements shall pay attention to the relevant disclosure in the financial statements. Where disclosure is insufficient, we express a qualified opinion. Our conclusion is formed on the basis of information available up to the date our audit report; however, future matters and events may still affect ADBC's going-concern status.

E. We evaluate the overall presentation, structure and contents (including disclosure) of the financial statements; we also evaluate the fairness of transactions and balances presented by in the financial statements.

F. We obtain sufficient and appropriate audit evidence regarding to ADBC's financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the planned audit scope, timing arrangement and significant audit findings; we also communicate with those charged with governance internal control weakness, which warrants attention, identified during the course of our audit.

Grant Thornton
Certified Public Accountants

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

Beijing • China

May 15, 2018

Consolidated and Parent Statement of Financial Position

As of December 31, 2017

Prepared by: Agricultural Development Bank of China

Currency: CNY

| Items | Note | December 31, 2017 | | December 31, 2016 | |
|--|--------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Consolidated | Parent | Consolidated | Parent |
| Assets | | | | | |
| Cash and deposits with central bank | V . 1 | 199,799,191,531.39 | 168,262,748,113.36 | 190,940,170,756.21 | 184,291,423,151.48 |
| Due from banks | V . 2 | 190,982,690,383.53 | 190,982,690,383.53 | 300,804,498,359.64 | 300,804,498,359.64 |
| Precious metal | | | | | |
| Placements with banks and other financial institutions | V . 3 | 83,973,420,000.00 | 83,973,420,000.00 | 63,213,070,000.00 | 63,213,070,000.00 |
| Financial assets at fair value through profit or loss | V . 4 | 1,203,866,690.74 | 1,203,866,690.74 | 622,507,467.55 | 622,507,467.55 |
| Derivative financial assets | V . 5 | 2,840,907.67 | 2,840,907.67 | | |
| Financial assets held under resale agreements | V . 6 | 211,903,186,000.00 | 211,903,186,000.00 | 177,315,513,000.00 | 177,315,513,000.00 |
| Interests receivable | V . 7 | 18,830,941,733.12 | 18,828,852,500.40 | 13,944,858,250.59 | 13,942,713,718.91 |
| Loans and advances | V . 8 | 4,507,160,518,959.51 | 4,507,160,518,959.51 | 3,980,920,773,224.40 | 3,980,920,773,224.40 |
| Available-for-sale financial assets | | | | | |
| Held-to-maturity investments | V . 9 | 523,384,925,008.02 | 97,713,601,292.25 | 531,429,195,721.07 | 80,014,206,533.57 |
| Financial assets classified as receivables | V . 10 | 426,969,125,832.25 | 426,969,125,832.25 | 309,433,102,500.00 | 309,433,102,500.00 |
| Long-term equity investments | V . 11 | 1,546,559,800.49 | 459,546,559,800.49 | 1,590,419,679.56 | 459,590,419,679.56 |
| Investment Property | | | | | |
| Fixed assets | V . 12 | 16,584,401,316.74 | 16,584,401,316.74 | 16,764,562,432.87 | 16,764,562,432.87 |
| Intangible assets | V . 13 | 486,565,613.64 | 486,565,613.64 | 461,028,074.80 | 461,028,074.80 |
| Goodwill | | | | | |
| Deferred income tax assets | V . 14 | 29,443,824,595.10 | 27,062,370,095.10 | 20,618,100,335.97 | 19,729,900,335.97 |
| Other assets | V . 15 | 9,226,554,401.42 | 9,226,554,401.42 | 8,198,710,625.12 | 8,198,710,625.12 |
| Total assets | | 6,221,498,612,773.62 | 6,219,907,301,907.10 | 5,616,256,510,427.78 | 5,615,302,429,103.87 |

Consolidated and Parent Statement of Financial Position (Continued)

As of December 31, 2017

Prepared by: Agricultural Development Bank of China

Currency: CNY

| Items | Note | December 31, 2017 | | December 31, 2016 | |
|--|--------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Consolidated | Parent | Consolidated | Parent |
| Liabilities | | | | | |
| Borrowings from PBOC | V . 16 | 694,200,000,000.00 | 694,200,000,000.00 | 562,000,000,000.00 | 562,000,000,000.00 |
| Due to banks and financial institutions | V . 17 | 14,397,990,471.70 | 14,397,990,471.70 | 25,325,514,621.28 | 25,325,514,621.28 |
| Placement from interbank borrowing | V . 18 | | | 21,920,226.30 | 21,920,226.30 |
| Financial liabilities at fair value through profit or loss | V . 19 | 1,202,814,246.58 | 1,202,814,246.58 | 608,045,205.48 | 608,045,205.48 |
| Derivative financial liabilities | V . 20 | | | 103,658.11 | 103,658.11 |
| Financial assets sold under repurchase agreements | | | | | |
| Deposits received | V . 21 | 1,452,962,349,805.95 | 1,452,962,349,805.95 | 1,429,185,280,492.75 | 1,429,185,280,492.75 |
| Employee benefits payable | V . 22 | 7,947,948,434.21 | 7,947,948,434.21 | 5,713,299,710.66 | 5,713,299,710.66 |
| Taxes and fees payable | V . 23 | 7,083,976,677.35 | 5,496,812,279.40 | 3,031,783,673.61 | 2,080,568,414.85 |
| Interests payable | V . 24 | 92,664,129,320.31 | 92,664,129,320.31 | 80,145,133,300.16 | 80,145,133,300.16 |
| Provision | | | | | |
| Bonds payable | V . 25 | 3,813,134,606,622.10 | 3,813,134,606,622.10 | 3,389,011,140,807.91 | 3,389,011,140,807.91 |
| Deferred income tax liabilities | V . 14 | 1,701,029.96 | 1,701,029.96 | 10,496,336.61 | 10,496,336.61 |
| Other liabilities | V . 26 | 2,311,864,586.82 | 2,311,864,586.82 | 2,703,007,140.78 | 2,703,007,140.78 |
| Total Liabilities | | 6,085,907,381,194.98 | 6,084,320,216,797.03 | 5,497,755,725,173.65 | 5,496,804,509,914.89 |
| Owner's equity: | | | | | |
| Paid-in capital | V . 27 | 57,000,000,000.00 | 57,000,000,000.00 | 57,000,000,000.00 | 57,000,000,000.00 |
| Capital reserves | V . 28 | 12,397,525.36 | 12,397,525.36 | 12,397,525.36 | 12,397,525.36 |
| Less: treasury stock | | | | | |
| Other comprehensive income | V . 29 | 10,725,113.94 | 10,725,113.94 | 38,542,936.65 | 38,542,936.65 |
| Surplus reserves | V . 30 | 11,748,190,669.02 | 11,747,776,022.16 | 10,036,364,254.30 | 10,036,077,647.78 |
| General risk reserve | V . 31 | 24,000,000,000.00 | 24,000,000,000.00 | 24,000,000,000.00 | 24,000,000,000.00 |
| Retained earnings | V . 32 | 42,819,918,270.32 | 42,816,186,448.61 | 27,413,480,537.82 | 27,410,901,079.19 |
| Total owner's equity owned by parent company | | 135,591,231,578.64 | 135,587,085,110.07 | 118,500,785,254.13 | 118,497,919,188.98 |
| Non-controlling interests | | | | | |
| Total owner's equity | | 135,591,231,578.64 | 135,587,085,110.07 | 118,500,785,254.13 | 118,497,919,188.98 |
| Total Liabilities and owner's equity | | 6,221,498,612,773.62 | 6,219,907,301,907.10 | 5,616,256,510,427.78 | 5,615,302,429,103.87 |

Chairman of Board (Legal representative) :

Vice president in Charge of the Accounting Work:

Person in Charge of the Accounting Department :

Consolidated and Parent Statement of Comprehensive Income

For the Year Ended December 31, 2017

Prepared by : Agricultural Development Bank of China

Currency: CNY

| Items | Note | 2017 | | 2016 | |
|---|--------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Consolidated | Parent | Consolidated | Parent |
| I. Operating income | | 89,576,655,403.79 | 83,566,828,698.60 | 71,149,273,769.18 | 67,589,855,687.44 |
| Net interest income | V . 33 | 54,307,052,920.70 | 54,147,476,320.58 | 47,818,710,165.62 | 47,760,026,318.53 |
| Interest income | | 214,252,995,293.87 | 214,093,418,693.75 | 187,224,306,038.94 | 187,165,622,191.85 |
| Interest expenses | | 159,945,942,373.17 | 159,945,942,373.17 | 139,405,595,873.32 | 139,405,595,873.32 |
| Net income from fees and commissions | V . 34 | 82,628,577.43 | 82,628,577.43 | 711,587,821.19 | 711,587,821.19 |
| Income from fees and commissions | | 401,677,209.13 | 401,677,209.13 | 976,926,301.25 | 976,926,301.25 |
| Expenses of fees and commissions | | 319,048,631.70 | 319,048,631.70 | 265,338,480.06 | 265,338,480.06 |
| Investment income/(loss) | V . 35 | 22,217,003,875.27 | 16,366,753,770.20 | 12,658,524,610.67 | 9,157,790,376.02 |
| Within: investment gains/(loss) from associates and joint ventures | | -12,842,056.36 | -12,842,056.36 | 10,156,047.59 | 10,156,047.59 |
| Income from change of fair value (with "-" for loss) | V . 36 | 125,098.78 | 125,098.78 | 6,679,021.05 | 6,679,021.05 |
| Exchange income (with "-" for loss) | | 60,253,290.14 | 60,253,290.14 | 72,785,227.31 | 72,785,227.31 |
| Other operating income | V . 37 | 12,909,591,641.47 | 12,909,591,641.47 | 9,880,986,923.34 | 9,880,986,923.34 |
| II. Operating expenses | | 72,128,250,253.81 | 66,120,130,753.18 | 52,291,723,176.09 | 48,719,314,770.88 |
| Taxes and surcharges | V . 38 | 955,422,501.17 | 920,321,000.54 | 2,392,079,376.25 | 2,344,161,061.04 |
| Overhead expenses | V . 39 | 23,354,943,630.68 | 23,354,943,630.68 | 21,404,275,358.75 | 21,270,775,268.75 |
| Impairment of assets (with "-" for reversal amount) | V . 40 | 47,485,595,137.84 | 41,512,577,137.84 | 28,336,994,686.71 | 24,946,004,686.71 |
| Costs of other businesses | V . 37 | 332,288,984.12 | 332,288,984.12 | 158,373,754.38 | 158,373,754.38 |
| III. Operating profit | | 17,448,405,149.98 | 17,446,697,945.42 | 18,857,550,593.09 | 18,870,540,916.56 |
| Plus: non-operating income | V . 41 | 203,262,958.16 | 203,262,958.16 | 822,987,167.47 | 808,412,357.37 |
| Less: non-operating expenses | V . 42 | 350,477,284.28 | 350,477,284.28 | 301,601,844.75 | 301,601,844.75 |
| IV. Total profit | | 17,301,190,823.86 | 17,299,483,619.30 | 19,378,935,915.81 | 19,377,351,429.18 |
| Less: income tax expenses | V . 43 | 182,926,676.64 | 182,499,875.50 | 3,171,778,092.27 | 3,171,381,970.61 |
| V. Net profit | | 17,118,264,147.22 | 17,116,983,743.80 | 16,207,157,823.54 | 16,205,969,458.57 |
| Other net profit attributable to owners of the parent company | | 17,118,264,147.22 | | 16,207,157,823.54 | |
| Net profit attributable to non-controlling interests | | | | | |
| VI. Other comprehensive income, net of tax | | -27,817,822.71 | -27,817,822.71 | 38,542,936.65 | 38,542,936.65 |
| Other comprehensive income attributable to owners of the parent company, net of tax | | -27,817,822.71 | -27,817,822.71 | 38,542,936.65 | 38,542,936.65 |
| (1) Other comprehensive income that will not be reclassified subsequently to profit or loss | | | | | |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss | | -27,817,822.71 | -27,817,822.71 | 38,542,936.65 | 38,542,936.65 |
| Other comprehensive income attributable to owners of the parent company, net of tax | | -27,817,822.71 | -27,817,822.71 | 38,542,936.65 | 38,542,936.65 |
| Other comprehensive income attributable to non-controlling owners, net of tax | | | | | |
| VII. Total comprehensive income | | 17,090,446,324.51 | 17,089,165,921.09 | 16,245,700,760.19 | 16,244,512,395.22 |
| Total comprehensive income attributable to owners of the company | | 17,090,446,324.51 | | 16,245,700,760.19 | |
| Total comprehensive income attributable to non-controlling interests | | | | | |

Legal representative, Chairman of Board :

Vice president of accounting and finance:

Person in Charge of the Accounting Department :

Consolidated and Parent Statement of Cash Flows

For the Year Ended December 31, 2017

Prepared by : Agricultural Development Bank of China

Currency: CNY

| Items | Note | 2017 | | 2016 | |
|--|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Consolidated | Parent | Consolidated | Parent |
| I. Cash flows from operating activities | | | | | |
| Net increase in customer deposits and due to banks | | 15,024,813,273.05 | 15,024,813,273.05 | 517,065,760,978.25 | 517,065,760,978.25 |
| Net increase in borrowings from the central bank | | 132,200,000,000.00 | 132,200,000,000.00 | 256,200,000,000.00 | 256,200,000,000.00 |
| Net increase in placements from other financial institutions | | -20,828,769,701.69 | -20,828,769,701.69 | -58,004,085,850.21 | -58,004,085,850.21 |
| Net increase in financial assets sold under repurchase agreements | | | | | |
| Net decrease in financial assets held under resale agreements | | | | | |
| Cash received from interests, fees and commissions | | 217,698,449,172.10 | 217,538,872,571.98 | 190,454,511,329.51 | 190,395,827,482.42 |
| Other cash received in relation to operating activities | V. 44 | 2,548,897,343.53 | 2,548,897,343.53 | 45,289,187,794.43 | 45,274,612,984.33 |
| Cash inflows from operating activities | | 346,643,390,086.99 | 346,483,813,486.87 | 951,005,374,251.98 | 950,932,115,594.79 |
| Net increase in loans and advances to customers | | 686,739,845,575.73 | 686,739,845,575.73 | 659,785,885,942.68 | 659,785,885,942.68 |
| Net increase in balances with PBOC and banks | | -93,312,319,321.26 | -93,312,319,321.26 | 239,086,547,186.35 | 239,086,547,186.35 |
| Net increase in placements with other financial institutions | | | | | |
| Net increase in financial assets held under resale agreements | | | | | |
| Net decrease in financial assets sold under repurchase agreements | | | | | |
| Cash paid for interests, fees and commissions | | 26,877,502,561.77 | 26,877,502,561.77 | 21,280,437,210.80 | 21,280,437,210.80 |
| Cash paid to and for employees | | 14,428,220,645.68 | 14,428,220,645.68 | 12,645,185,069.65 | 12,645,185,069.65 |
| Taxes and fees paid | | 11,571,787,543.32 | 10,327,938,874.43 | 18,501,633,149.07 | 18,191,889,228.98 |
| Other cash paid in relation to operating activities | V. 44 | 44,099,788,564.82 | 44,099,788,564.82 | 36,001,612,064.86 | 36,001,609,431.53 |
| Sub-total | | 690,404,825,570.06 | 689,160,976,901.17 | 987,301,300,623.41 | 986,991,554,069.99 |
| Net cash flows from operating activities | | -343,761,435,483.07 | -342,677,163,414.30 | -36,295,926,371.43 | -36,059,438,475.20 |
| II. Cash flows from investing activities | | | | | |
| Cash recovered as principal of investments | | 504,934,432,967.38 | 482,814,210,495.65 | 275,551,968,187.12 | 271,522,272,487.12 |
| Cash receipts associated with investment income | | 20,711,296,034.81 | 14,509,975,624.47 | 9,396,747,017.31 | 5,720,594,867.19 |
| Net cash receipts associated with disposal of fixed assets, intangible assets and other non-current assets | | | | | |
| Net cash receipts associated with disposal of subsidiaries and other investees | | | | | |
| Other Cash received in relation to investing activities | V. 44 | 168,285,443.76 | 168,285,443.76 | 114,554,092.17 | 114,554,092.17 |
| Cash inflows from investing activities | | 525,814,014,445.95 | 497,492,471,563.88 | 285,063,269,296.60 | 277,357,421,446.48 |
| Cash paid for investments | | 503,397,083,626.58 | 501,047,508,626.58 | 826,012,605,560.97 | 782,299,710,660.97 |
| Cash paid for acquiring fixed assets, intangible assets and other long-term assets | | 1,272,744,397.69 | 1,272,744,397.69 | 1,989,797,095.92 | 1,989,797,095.92 |
| Net cash paid for acquisition of subsidiaries and other investees | | | | | |
| Other cash paid in relation to investing activities | | | | | |
| Cash outflows for investing activities | | 504,669,828,024.27 | 502,320,253,024.27 | 828,002,402,656.89 | 784,289,507,756.89 |
| Net cash flows from investing activities | | 21,144,186,421.68 | -4,827,781,460.39 | -542,939,133,360.29 | -506,932,086,310.41 |
| III. Cash flows from financing activities | | | | | |
| Cash received as capital | | | | | |
| Among which: cash received as capital from non-controlling shareholders of the subsidiary | | | | | |
| Cash received for bonds issued | | 1,201,614,149,792.08 | 1,201,614,149,792.08 | 1,245,725,138,668.62 | 1,245,725,138,668.62 |
| Other cash received in relation to financing activities | | | | 4,000,000.00 | 4,000,000.00 |
| Cash inflows from financing activities | | 1,201,614,149,792.08 | 1,201,614,149,792.08 | 1,245,729,138,668.62 | 1,245,729,138,668.62 |
| Cash paid for settlement of debt | | 781,865,761,031.46 | 781,865,761,031.46 | 607,135,962,087.32 | 607,135,962,087.32 |
| Cash paid for dividends, profit and interests | | 104,727,248,556.74 | 104,727,248,556.74 | 86,687,841,037.11 | 86,687,841,037.11 |
| Among which: dividend and profit paid to non-controlling shareholders of the subsidiary | | | | | |
| Other cash paid in relation to financing activities | | | | | |
| Within: cash paid to non-controlling owners of the subsidiary due to capital reduction | | | | | |
| Cash outflows for financing activities | | 886,593,009,588.20 | 886,593,009,588.20 | 693,823,803,124.43 | 693,823,803,124.43 |
| Net cash flows from financing activities | | 315,021,140,203.88 | 315,021,140,203.88 | 551,905,335,544.19 | 551,905,335,544.19 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | | | | |
| V. Net increase in cash and cash equivalents | | -7,596,108,857.51 | -32,483,804,670.81 | -27,329,724,187.53 | 8,913,810,758.58 |
| Add: opening balances of cash and cash equivalents | | 78,036,892,374.18 | 71,388,144,769.45 | 105,366,616,561.71 | 62,474,334,010.87 |
| VI. Closing balances of Cash and cash equivalents | | 70,440,783,516.67 | 38,904,340,098.64 | 78,036,892,374.18 | 71,388,144,769.45 |

Chairman of Board (Legal representative) :

Vice president in Charge of the Accounting Work:

Person in Charge of the Accounting Department :

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2017

Prepared by Agricultural Development Bank of China

| Items | 2017 | | | | | | |
|---|--|------------------|----------------------|----------------------------|-------------------|----------------------|-------------------|
| | Equity attributable to owners of the company | | | | | | |
| | Paid-in capital | Capital reserves | Less: treasury stock | Other comprehensive income | Surplus reserves | General risk reserve | Retained earnings |
| I. Closing balance of last year | 57,000,000,000.00 | 12,397,525.36 | | 38,542,936.65 | 10,036,364,254.30 | 24,000,000,000.00 | 27,400,000,000.00 |
| Add: Changes in accounting policies | | | | | | | |
| Corrections of prior period errors | | | | | | | |
| Business combination under common control | | | | | | | |
| Others | | | | | | | |
| II. Opening balance of this year | 57,000,000,000.00 | 12,397,525.36 | | 38,542,936.65 | 10,036,364,254.30 | 24,000,000,000.00 | 27,400,000,000.00 |
| III. Increases and decreases of this year (with "-" for decreases) | | | | -27,817,822.71 | 1,711,826,414.72 | | 15,400,000,000.00 |
| (1) Total comprehensive income | | | | -27,817,822.71 | | | 17,100,000,000.00 |
| (2) Capital invested and reduced by the owners | | | | | | | |
| 1. Capital invested by the owners | | | | | | | |
| 3. Share-based payments recognised in equity | | | | | | | |
| 4. Others | | | | | | | |
| (3) Profit distribution | | | | | 1,711,826,414.72 | | -1,700,000,000.00 |
| 1. Appropriation of surplus reserve | | | | | 1,711,826,414.72 | | -1,700,000,000.00 |
| 2. Extraction of general risk reserve | | | | | | | |
| 3. Profit distributed to owners | | | | | | | |
| 4. Others | | | | | | | |
| (4) Transfers within the owners' equity | | | | | | | |
| 1. Transfer from capital reserves to capital | | | | | | | |
| 2. Transfer from surplus reserves to capital | | | | | | | |
| 3. Recovery of losses by surplus reserve | | | | | | | |
| 4. Recovery of losses by general risk reserve | | | | | | | |
| 6. Others | | | | | | | |
| (5) Others | | | | | | | |
| IV. Closing balance of current year | 57,000,000,000.00 | 12,397,525.36 | | 10,725,113.94 | 11,748,190,669.02 | 24,000,000,000.00 | 42,800,000,000.00 |

Chairman of Board (Legal representative):

Vice president in Charge of the Accounting Work:

Person in Charge of the:

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2016

Prepared by: Agricultural Development Bank of China

| Items | 2016 | | | | | | |
|---|--|------------------|----------------------|----------------------------|-------------------|--------------------------|-------------------|
| | Equity attributable to owners of the company | | | | | | |
| | Paid-in capital | Capital Reserves | Less: treasury stock | Other comprehensive income | Surplus reserves | General risk preparation | Retained |
| I. Closing balance of last year | 57,000,000,000.00 | 6,857,001.90 | | | 8,415,648,471.94 | 24,000,000,000.00 | 12,827,000,000.00 |
| Add: Changes in accounting policies | | | | | | | |
| Corrections of prior period errors | | | | | | | |
| Business combination under common control | | | | | | | |
| Others | | | | | | | |
| II. Opening balance of this year | 57,000,000,000.00 | 6,857,001.90 | | | 8,415,648,471.94 | 24,000,000,000.00 | 12,827,000,000.00 |
| III. Increases and decreases of this year (with "-" for decreases) | | 5,540,523.46 | | 38,542,936.65 | 1,620,715,782.36 | | 14,586,000,000.00 |
| (1) Total comprehensive income | | | | 38,542,936.65 | | | 16,207,000,000.00 |
| (2) Capital invested and reduced by the owners | | | | | | | |
| 1. Capital invested by the owners | | | | | | | |
| 3. Share-based payments recognised in equity | | | | | | | |
| 4. Others | | | | | | | |
| (3) Profit distribution | | 5,540,523.46 | | | 1,620,715,782.36 | | -1,620,715,782.36 |
| 1. Appropriation of surplus reserve | | | | | 1,620,715,782.36 | | -1,620,715,782.36 |
| 2. Extraction of general risk reserve | | | | | | | |
| 3. Profit distributed to owners | | | | | | | |
| 4. Others | | 5,540,523.46 | | | | | |
| (4) Transfers within the owners' equity | | | | | | | |
| 1. Transfer from capital reserves to capital | | | | | | | |
| 2. Transfer from surplus reserves to capital | | | | | | | |
| 3. Recovery of losses by surplus reserve | | | | | | | |
| 4. Recovery of losses by general risk reserve | | | | | | | |
| 6. Others | | | | | | | |
| (5) Others | | | | | | | |
| IV. Closing balance of current year | 57,000,000,000.00 | 12,397,525.36 | | 38,542,936.65 | 10,036,364,254.30 | 24,000,000,000.00 | 27,413,000,000.00 |

Chairman of Board (Legal representative):

Vice president in Charge of the Accounting Work:

Person in Charge of the Accounting Work:

Parent Statement of Changes in Equity

For the Year Ended December 31, 2017

Prepared by : Agricultural Development Bank of China

| Items | 2017 | | | | | |
|---|-------------------|------------------|----------------------|----------------------------|-------------------|----------------------|
| | Paid-in capital | Capital reserves | Less: treasury stock | Other comprehensive income | Surplus reserves | General risk reserve |
| I.Closing balance of last year | 57,000,000,000.00 | 12,397,525.36 | | 38,542,936.65 | 10,036,077,647.78 | 24,000,000,000.00 |
| Add: Changes in accounting policies | | | | | | |
| Corrections of prior period errors | | | | | | |
| Others | | | | | | |
| II .Opening balance of this year | 57,000,000,000.00 | 12,397,525.36 | | 38,542,936.65 | 10,036,077,647.78 | 24,000,000,000.00 |
| III.Increases and decreases of this year (with "-" for decreases) | | | | -27,817,822.71 | 1,711,698,374.38 | |
| (1) Total comprehensive income | | | | -27,817,822.71 | | |
| (2) Capital invested and reduced by the owners | | | | | | |
| 1. Capital invested by the owners | | | | | | |
| 3. Share-based payments recognised in equity | | | | | | |
| 4. Others | | | | | | |
| (3) Profit distribution | | | | | 1,711,698,374.38 | |
| 1. Appropriation of surplus reserve | | | | | 1,711,698,374.38 | |
| 2. Extraction of general risk reserve | | | | | | |
| 3. Profit distributed to owners | | | | | | |
| 4. Others | | | | | | |
| (4) Transfers within the owners' equity | | | | | | |
| 1. Transfer from capital reserves to capital | | | | | | |
| 2. Transfer from surplus reserves to capital | | | | | | |
| 3. Recovery of losses by surplus reserve | | | | | | |
| 4. Recovery of losses by general risk reserve | | | | | | |
| 6. Others | | | | | | |
| (5) Others | | | | | | |
| IV.Closing balance of current year | 57,000,000,000.00 | 12,397,525.36 | | 10,725,113.94 | 11,747,776,022.16 | 24,000,000,000.00 |

Chairman of Board (Legal representative):

Vice president in Charge of the Accounting Work:

Person in Charge:

Parent Statement of Changes in Equity

For the Year Ended December 31, 2016

Prepared by : Agricultural Development Bank of China

| Items | 2016 | | | | | |
|--|-------------------|------------------|----------------------|----------------------------|-------------------|----------------------|
| | Paid-in capital | Capital reserves | Less: treasury stock | Other comprehensive income | Surplus reserves | General risk reserve |
| I. Closing balance of last year | 57,000,000,000.00 | 6,857,001.90 | | | 8,415,480,701.92 | 24,000,000,000.00 |
| Add: Changes in accounting policies | | | | | | |
| Corrections of prior period errors | | | | | | |
| Others | | | | | | |
| II. Opening balance of this year | 57,000,000,000.00 | 6,857,001.90 | | | 8,415,480,701.92 | 24,000,000,000.00 |
| III. Increases and decreases of this year (with "-" for decreases) | | 5,540,523.46 | | 38,542,936.65 | 1,620,596,945.86 | |
| (1) Total comprehensive income | | | | 38,542,936.65 | | |
| (2) Capital invested and reduced by the owners | | 5,540,523.46 | | | | |
| 1. Capital invested by the owners | | | | | | |
| 3. Share-based payments recognised in equity | | | | | | |
| 4. Others | | 5,540,523.46 | | | | |
| (3) Profit distribution | | | | | 1,620,596,945.86 | |
| 1. Appropriation of surplus reserve | | | | | 1,620,596,945.86 | |
| 2. Extraction of general risk reserve | | | | | | |
| 3. Profit distributed to owners | | | | | | |
| 4. Others | | | | | | |
| (4) Transfers within the owners' equity | | | | | | |
| 1. Transfer from capital reserves to capital | | | | | | |
| 2. Transfer from surplus reserves to capital | | | | | | |
| 3. Recovery of losses by surplus reserve | | | | | | |
| 4. Recovery of losses by general risk reserve | | | | | | |
| 6. Others | | | | | | |
| (5) Others | | | | | | |
| IV. Closing balance of current year | 57,000,000,000.00 | 12,397,525.36 | | 38,542,936.65 | 10,036,077,647.78 | 24,000,000,000.00 |

Chairman of Board (Legal representative):

Vice president in Charge of the Accounting Work:

Person in Charge of the

Notes to the Financial Statements

Note I General Information about ADBC

1. Bank Profile

Established in November 1994 in accordance with the “Notice on the Establishment of Agricultural Development Bank of China” (Guofa (1994) No. 25) of the State Council on April 19, 1994, the Agricultural Development Bank of China (hereinafter, “ADBC” or “Bank”) is the only state-owned agricultural policy bank in China under the direct leadership of the State Council. In December 2014, the board of directors was set up by the approval of the State Council and the board of supervisors was assigned by the State Council to exercise the supervision function of the asset owner on behalf of the state. The head office of ADBC is the first level legal person and the chairman is the legal representative. The vertical leadership management system is implemented in ADBC and business activities are carried out by all branches according to the law and within the scope authorized by the head office.

The ADBC is operating with the financial institution license of the PRC (No. A0002H111000001) issued by China Banking Regulatory Commission (hereinafter, “CBRC”) and business license (Unified social credit code: 91100000100017045K) approved by State Administration for Industry and Commerce of China. The registered address of ADBC is No. Jia 2 Yuetanbei Street, Xicheng District, Beijing.

The main responsibility of ADBC is to raise funds through market based on national credit in accordance with national laws, regulations and policies, in order to undertake agricultural policy-based financial services as prescribed by the state, to provide financial support for agricultural funds, and to serve agriculture and rural economic development.

The principal operating activities of ADBC include: providing special reserve loans arranged by the People's Bank of China (hereinafter, “PBOC”) and subsidized by the government for grain, cotton, oil, pork, sugar, factory silk, and chemical fertilizers, as well as local fertilizer, sugar, and meat reserve credits; providing loan for purchase and resale of grain, cotton, and oil; providing loan for food contract purchase; providing loan for cotton and linen processing enterprise; allocation of government financial support fund by opening special grain risk reserve account for government and allocating funds; issuing financial bonds; business deposits of enterprises and institutions within the scope; settlement of enterprises and institutions; foreign fundraising; international settlement business under the import and export trade of customers within the business scope, and foreign exchange deposits, foreign exchange remittances, inter-bank foreign exchange lending compatible with international settlement business, valet foreign exchange trading and other services; providing loan for large grain processing enterprises; providing loan for grain and cotton oil industrialization leading enterprise; providing loan for other grain enterprise; providing loan in relation with grain and oil seed; providing loan for cotton enterprises for pre-purchase, cotton deep processing, cotton breeding, acquisition and processing, cotton exports, national macro-control and cotton import; technical equipment transformation loan for cotton enterprises; collection and payment for enterprises; local currency transactions in the national interbank market; postal savings agreement deposits; agricultural small business loans, rural infrastructure construction loans, agriculture comprehensive development loan, agricultural production materials loan business; other business approved by the State Council and the CBRC; insurance concurrent agency (only for branches with insurance concurrent agency licenses, the validity period is subject to the license). (Projects subject to approval according to law may be operated after approval by relevant departments)

By the end of 2017, ADBC has a total of 32 provincial level branches (including Beijing branch), 334 second-level branches and 1,826 county-level sub-branches.

The financial statements were approved by the Board of Directors of the ADBC on May 15, 2018.

2. Scope of the consolidation

There is one subsidiary within the scope of the consolidation, which is China Agriculture Development Key Construction Fund Co., Ltd.

Note II Basis for preparation of the financial statements

The financial statements of ADBC are prepared in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and its application guidelines, explanations and other relevant provisions (collectively referred to as "Accounting Standards for Business Enterprises"). The financial statements of ADBC are prepared on the basis of going concern.

ADBC adopts the accrual basis for accounting.

Note III Significant Accounting Principles and Accounting Estimates

1. Statement of Compliance with Accounting Standards for Business Enterprises

ADBC's financial statements has been prepared in accordance with Accounting Standards for Business Enterprises and present truly and completely the financial position of the consolidation and the bank as at 31 December 2017 and the operation results, cash flows and relevant information for the year then ended.

2. Accounting period

The accounting period of ADBC is the calendar year from January 1 to December 31.

3. Functional currency

Yuan (CNY) is the functional currency of ADBC. The foreign currency of the bank is accounted for using separate account system.

The functional currency of ADBC and its domestic subsidiaries is CNY. The reporting currency used by ADBC for the preparation of the financial statements is CNY.

4. Preparation methods for the consolidated financial statements

(1) The scope of consolidation

The scope of consolidation is determined on the basis of control. Control refers to the power of ownership over the investee(s) by the Bank; the Bank enjoys variable returns through participating in relevant activities of the investee(s) and has the ability to influence the return through the power of ownership over the investee(s). A subsidiary is an entity that is controlled by the Bank (including the enterprises, the divisible portion of the investees, structured entity and etc.).

(2) Preparation methods

The consolidated financial statements are prepared by the Bank on the basis of the financial statements

of the Bank and its subsidiaries and on the basis of other relevant information. In the preparation of the consolidated financial statements, the accounting policies and accounting periods of the Bank and its subsidiaries are required to be consistent, and material intra-group transactions and balances are eliminated.

(3) Loss of control of subsidiaries

If control over a subsidiary is lost due to part disposal of shares held or other reasons, the remaining shares in the relevant entity are measured at the disposal-date fair value. The excess of the sum of the consideration received for the disposal and the disposal-date fair value of the remaining shares over the cumulative net assets attributable to the Bank immediately before the disposal is recognized as investment income in profit or loss for the period during which the loss of control occurs.

Other comprehensive income associated with the disposed subsidiary is reclassified to investment income in profit or loss for the period during which the loss of control occurs, except for other comprehensive income arising from the re-measurement of changes in net liabilities or net assets of the defined benefit plan.

5. Recognition criteria for cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid monetary assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including cash, non-restrictive funds deposited in central bank and funds formed bank deposits.

6. Translation of transactions

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or the previous balance sheet date is recognized in profit and loss of the current period. Foreign currency non-monetary items measured at historical cost are translated using the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date when the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is recognized in profit and loss of the current period.

7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Recognition and derecognition of financial instruments

Financial assets and liabilities are recognized when the Bank becomes one party in the financial instrument contract.

A financial asset is derecognized when any of the following conditions is satisfied:

- ① the contractual rights to the cash flows from the financial asset expire;
- ② the financial asset has been transferred and significant risks and rewards attached to the ownership

of the financial asset has been transferred to the transferee ; Or

③ the financial asset has been transferred, the entity has neither transferred nor retained significant risks and rewards attached to the ownership of the financial asset, and the entity has given up the control over the financial assets.

Financial assets purchased and sold in regular transactions are recognized and de-recognized on the relevant transaction dates.

(2) Classification and measurement of financial assets

Financial assets shall be classified as follows at initial recognition: financial assets at fair value through profit or loss, held to maturity investment, loans and receivables, and available-for-sale financial assets. Transaction costs directly associated with the acquisition of financial assets measured by fair value with changes in fair value recognized in profit or loss are recognized in profit or loss for the period during which the transactions occur; transaction costs directly associated with the acquisition of other categories of financial assets are included in the relevant financial assets' initial measurement.

1) Financial assets at fair value through profit or loss:

Financial assets measured by fair value with changes in fair value recognized in profit or loss include financial assets held for trading and financial assets designated as measured by fair value with changes in fair value recognized in profit or loss.

A financial asset held for trading is any financial asset that satisfies any of the following conditions:

- a. the purpose of acquiring the financial asset is for disposal in the near future; or
- b. is part of an identifiable portfolio of financial instruments which is collectively managed and the Bank's recent management of which is for short-term profit realization; or
- c. is a derivative financial instrument, except for a designated effective hedging instrument, a financial guarantee contract, or a derivative financial instrument, which is linked to an equity instrument which is not quoted in an active market and of which the fair value cannot be reliably measured, and the settlement of which is by the delivery of the relevant equity instrument.

Financial assets at fair value through profit or loss shall be subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss for the period.

The financial assets designated as measured by fair value with changes in fair value recognized in profit or loss mainly include bonds investment and other debt instrument investments. Financial liabilities designated as at fair value through profit or loss mainly include self-operated wealth management products and structured deposits, notes, certificates of deposit and financial liabilities associated with precious metals. Such financial assets and financial liabilities are subsequently measured at fair value. All realized and unrealized gains and losses are recognized in profit or loss.

2) Held-to-maturity investments

A held-to-maturity investment is a non-derivative financial asset with fixed maturity date and fixed or determinable recoverable amount and which the Bank's is clearly intention and ability to hold to maturity.

Held-to-maturity investments shall be subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization shall be recognized in profit or loss for the current period.

The effective interest rate method is a method to calculate the amortized cost of a financial asset or liability (or group of financial assets or liabilities) and its interest income or expense for each period using the effective interest rate. The effective interest rate is the rate that is used to discount the cash flows attached to a financial asset or financial liability over its life to its present value.

In the computation of the effective interest rate applicable to a financial asset or financial liability, the Bank estimates future cash flows of the financial asset or financial liability on the basis of its contract terms (excluding future credit loss) and all payments, transaction costs, discounts or premium between the contracting parties that form part of the effective interest rate.

3) Loans and receivables

A loan or receivable is a non-derivative financial asset which is not quoted in an active market and of which the recoverable amount is either fixed or determinable. Financial assets classified as loans and receivables by the Bank include balances at the central bank, due from banks, interest receivables, loans and advances, financial assets classified as receivables, discounted bills, loans to banks and other financial institutions, other receivables and etc.

The following non-derivative financial assets are not classified as loans and receivables:

- a. non-derivative financial assets that are ready to be sold immediately or sold in the near future;
- b. it is designated as a non-derivative financial asset measured at fair value through profit or loss in the initial recognition;
- c. is designated as an available-for-sale non-derivative financial asset at initial recognition;
- d. it may be difficult for the Bank to recover almost all non-derivative financial assets of initial investment due to reasons other than the deterioration of the debtor's credit.

Loans and receivables shall be subsequently measured at amortized costs by effective interest rate method. Gains or losses arising from derecognition, impairment or amortization shall be recognized in profit or loss for the period.

Discounted bills are issued by the Bank to customers who hold outstanding bills of exchange. The discounted bills are measured at par value deducted by the discounted interest income of the unrealized bills, and the discounted interest income of the bills is measured by effective interest rate method.

When conditions permit, the Bank will seek to restructure the loan instead of obtaining the ownership of the collateral, which may involve rollovers and new loan terms. Once the terms are renegotiated, the loan will no longer be considered overdue. Management continues to review the restructured loan to ensure that it satisfies all conditions and that future payments are likely to occur. The loan continues to be assessed for impairment in a single or combined manner and is measured at the initial effective interest rate.

4) Available-for-sale financial assets

An available-for-sale financial asset is a non-derivative financial asset that is designated as

available-for-sale upon its initial recognition or a financial asset that is neither of the other categories of financial assets.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, and transferred in profit or loss when those financial assets are derecognized.

Interests obtained during the period in which the financial assets available-for-trade are held and cash dividends declared by investees shall be recognized as investment income.

(3) Classification and measurement of financial liabilities and equity instruments

The financial instruments issued by the Bank are recognized as financial liabilities or equity instruments based on the substance of the contractual arrangements of the financial instruments and the definition of financial liabilities and equity instruments.

The financial liabilities of the Bank are classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities that are not classified as fair value through profit or loss, the related transaction cost is included in the initial recognition amount.

1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured by fair value with changes in fair value recognized in profit or loss include financial liabilities held for trading and financial liabilities designated as measured by fair value with changes in fair value recognized in profit or loss.

A financial liability held for trading is any financial liability that satisfies any of the following conditions:

- a. the purpose of acquiring the financial liability is for disposal in the near future; or
- b. is part of an identifiable portfolio of financial instruments which is collectively managed and the Bank's recent management of which is for short-term profit realization; or
- c. is a derivative financial instrument, except for a designated effective hedging instrument, a financial guarantee contract, or a derivative financial instrument, which is linked to an equity instrument which is not quoted in an active market and of which the fair value cannot be reliably measured, and the settlement of which is by the delivery of the relevant equity instrument.

A financial liability can be designated upon initial recognition as measured by fair value with changes in fair value recognized in profit or loss if any of the following conditions is satisfied:

- a. the designation removes or significantly reduces the difference in recognition or measurement of gain or loss relating to the financial liability if the financial liability is measured otherwise;
- b. it is officially documented in the Bank's risk management or investment strategy that the portfolio of financial assets (and liabilities) to which the financial liability belongs is managed, evaluated and reported to key management personnel on the basis fair value.
- c. it includes embedded derivatives that need to be split separately.

2) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities other than financial liabilities at fair value through profit or loss. Other financial liabilities are measured at amortized cost using the effective interest rate method. The gain or loss arising from derecognition or amortization is recognized in profit or loss.

(4) Derivatives and embedded derivatives

The derivative financial instruments of the Bank are mainly forward settlement contracts. It is initially measured at the fair value on the date when the derivative transaction contract is signed and is subsequently measured at its fair value. A derivative financial instrument with a positive fair value is recognized as an asset, and a derivative financial instrument with a negative fair value is recognized as a liability.

(5) Fair value of financial instruments

See Note III.8 for fair value measurement of financial assets and financial liabilities.

(6) Impairment of financial assets

The Bank assesses financial assets on each balance sheet date for impairment, except for financial assets measured by fair value with changes in fair value recognized in profit or loss. Impairment loss is recognized when objective evidence indicates that the financial asset is impaired.

Objective evidence showing the impairment of financial assets refers to the items that actually occurred after the initial recognition of financial assets have an impact on the expected future cash flow of the financial asset, and the enterprise can reliably measure the impact.

The objective evidences that indicate the financial asset is impaired include:

- ① significant financial difficulty of the issuer or obligor;
- ① a breach of contract, such as a default or delinquency in interest or principal payments;
- ③ the Bank made concessions to debtors with financial difficulties due to economic or legal considerations;
- ② it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- ③ the disappearance of an active market for the financial asset because of significant financial difficulties of the issuer;
- ⑥ observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - Adverse changes in the payment status of borrowers in the portfolio, and
 - National or local economic conditions that correlate with defaults on the assets in the portfolio.
- ⑦ a major adverse change in the technical market economy or legal environment in which the equity instrument investor is unable to recoup the investment costs;

⑧a serious or non-temporary decline in the fair value of an equity instrument investment, if the fair value of the equity investment on the balance sheet date is less than 50% (inclusive) of its initial investment cost or the fair value of the equity investment is less than the initial investment cost for more than 12 months (inclusive);

The fair value of the equity investment is less than the initial investment cost for more than 12 months (inclusive) means the average monthly fair value of the equity instrument investment is lower than its initial investment cost for 12 consecutive months.

⑨Other objective evidence of impairment of financial assets.

1) Impairment of financial assets measured at amortized cost

Where objective evidences indicate that the financial asset is impaired, an impairment allowance is provided as the excess of the cost or amortized cost of the financial asset over the present value of its future cash flows and an equivalent impairment loss is recognized in profit or loss. The present value of expected future cash flows is determined using the original effective interest rate of the financial assets. The original effective interest rate is the actual interest rate calculated and determined when the financial asset is initially recognized. For financial assets with floating interest rates, the current effective interest rate stipulated in the contract is used as the discount rate when calculating the present value of future cash flows.

In actual operation, the observed market price is also used to determine the fair value of financial assets and the impairment loss is determined accordingly.

The impairment of loans and receivables is recognized in accordance with “Regulations on the Administration of Loan Impairment Provisions of Commercial Banks” issued by the CBRC (CBRC Order [2011] No. 4) which requires a provision coverage ratio of 150% and a provision-to-loan ratio of 2.5%.

After the impairment is recognized, if events subsequent to the recognition of the impairment are objectively evidential that the impairment no longer exists, the impairment allowance and impairment loss are reversed; however, the reversal shall not cause the carrying amount of the financial asset exceeds its carrying amount as at the reversal date as if no impairment allowance was recognized.

When a financial asset is not recoverable and all necessary procedures have been executed, the asset is written off. The amount recovered after the write-off is recognized in the current profit and loss.

2) Impairment of available-for-sale financial assets

Where an available-for-sale financial asset is impaired, its cumulative loss arising from decrease in fair value recognized in capital reserves is reclassified to profit or loss for the period during which the financial asset is impaired. The amount reclassified to profit or loss is the residual after deducting withdrawn principal, cumulative amortization, impairment-date fair value and impairment previously recognized in profit or loss from the acquisition cost.

After the impairment is recognized, if events subsequent to the recognition of the impairment are objectively evidential that the impairment no longer exists, the impairment allowance is reversed. The reversal of impairment of available-for-sale equity instruments and available-for-sale debt instruments is recognized in other comprehensive income and profit or loss for the period during which the reversal occurs respectively.

3) Impairment of financial assets measured at cost

Where an equity instrument which is not quoted in an active market and of which the fair value cannot be reliably measured is impaired, and where a derivative financial asset which is linked to such equity instrument and the settlement of which is by delivery of such equity instrument, the difference between the book value of the financial asset and the present value of the future cash flow of the financial asset based on current market rate of return is recognized as an impairment loss. The impairment is irreversible.

(7) Recognition and measurement for transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of the financial assets.

A financial asset is derecognized when any of the following conditions is satisfied:

- 1) the contractual rights to receive cash flows from the financial asset expire;
- 2) the financial asset has been transferred and significant risks and rewards attached to the ownership of the financial asset has been transferred to the transferee ; or
- 3) the financial asset has been transferred, the entity has neither transferred nor retained significant risks and rewards attached to the ownership of the financial asset, and the entity has given up the control over the financial assets.

Where the Bank has neither transferred nor retained significant risks and rewards attached to the ownership of a transferred financial asset, and has not given up the control over it, the transferred financial asset is continued to be recognized proportionate to the degree of the Bank's continuing involvement. The degree of the Bank's continuing involvement with the transferred financial asset is represented by the risk faced by the Bank resulting from changes in the value of the transferred financial assets.

(8) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the netted amount is disclosed on the financial statements if, and only if, all of the following conditions are satisfied:

- a. the Bank has the legal right to offset recognized financial assets and financial liabilities and the legal right is readily exercisable; and
- b. the Bank is intended to settle the financial assets and financial liabilities in cash or to simultaneously dispose the financial assets and settle the financial liabilities.

If the above conditions are not satisfied, the relevant financial assets and financial liabilities are not offset and are disclosed in full on the financial statements.

8. Fair value measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank measures relevant assets or liabilities at fair value, assuming that an orderly transaction of selling assets or transferring liabilities takes place in the principal market of the relevant assets or

liabilities. In the absence of a principal market, the Bank assumes that the transaction takes place in the most advantageous market for the relevant assets or liabilities. The principal market (or the most advantageous market) is the trading market that the bank can enter at the measurement date. The Bank measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If there is an active market for financial assets or liabilities, the Bank uses quotations in the active market to determine their fair value. If financial instruments do not exist in the active market, the bank adopts valuation technology to determine its fair value.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs. Unobservable input values are used only when observable input values are not available or not practicable.

Assets and liabilities measured or disclosed at fair value in financial statements are determined at the lowest level of input, which is of significant importance to the measurement of fair value as a whole - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

On each balance sheet day, the bank reassesses the assets and liabilities identified in the financial statements that are continuously measured at fair value to determine whether conversion occurs between the levels of fair value measurement.

9. Purchases of resale and repo transactions (including securities borrowing and lending transactions)

Sold assets that are repurchased on a certain date in the future according to agreements are not derecognized in the balance sheet. The proceeds from the sale of such assets, including accrued interest, are shown on the balance sheet as financial assets sold under repurchase agreements to reflect the economic nature of the loans made to the Bank. The difference between the selling price and the repurchase price is calculated by using the effective interest method during the period specified by agreement, and is recognized in interest expenses.

On the contrary, assets that are resold at the time of purchase on a certain date in the future as agreed upon in the agreement will not be recognized on the balance sheet. The cost of purchasing such assets, including accrued interest, is disclosed in the balance sheet as the purchase of resale fund. The difference between the purchase price and the resale price is calculated by using the effective interest method during the period specified by agreement, and is recognized in interest income.

Securities borrowing and lending transactions are generally accompanied by collateral, securities or cash as collateral. Securities transfers between counterparties are reflected in the balance sheet only when the risks and benefits associated with securities ownership are transferred simultaneously. Cash or cash collateral is recognized as assets or liabilities.

Borrowed securities are not recognized in the balance sheet. If such securities are sold to a third party, the obligation to repay the bonds is recognized as financial liabilities held for trading and is measured at fair value, and the resulting gains or losses are recognized in current profits and losses.

10. Long-term equity investment

Long-term equity investments include equity investments in subsidiaries and joint ventures. If the bank can exert significant influence on the investee, it shall be the joint venture of the bank.

(1) Determination of initial investment cost

Long-term equity investment in the formation of business combination: long-term equity investment acquired by business combination under the same control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. Long-term equity investment acquired through business combination not under common control is measured at combination cost on the combination date.

Long-term equity investments acquired not through business combination: the initial investment cost of the long-term equity investment paid in cash shall be the actual purchase price. The long-term equity investment obtained by issuing equity securities shall take the fair value of equity securities as the initial investment cost.

(2) Subsequent measurement and profit and loss recognition method

Investment in subsidiaries is measured by cost method, and equity method is used to measure investment in joint ventures.

For long-term equity investments measured by cost method, the declared cash dividend or profit of the invested unit shall be recognized as the investment income and shall be included in the current profit or loss, except for the declared but unpaid cash dividends or profits contained in the payment or consideration actually made at the time of investment

When the cost of long-term equity investments measured using the equity method on initial recognition exceeds the Bank's share of the fair value of the respective investee's net identifiable assets, no adjustment is made to the cost of the investment for the excess. When the Bank's share of the fair value of an investee's net identifiable assets exceeds the cost of the respective long-term equity investment measured using the equity method on initial recognition, adjustment is made to the cost of the investment for the difference and the difference is carried to profit or loss for the period during which the investment is recognized.

Investment income or loss and other comprehensive income for the relevant period from long-term equity investments measured using the equity method is measured at the Bank's share of the net profit or loss and other comprehensive income of the respective investee for the relevant period, and the book value of long-term equity investments is adjusted accordingly. If the investee declares profit distribution or cash dividends, long-term equity investments are reduced by the Bank's share of declared profit distribution or cash dividends in the investee. Long-term equity investments will be adjusted and capital reserves are recognized with variations other than net profit or loss, other comprehensive income, and profit distribution. When computing the Bank's share of the net profit or loss of the investee for the relevant period, net profit or loss of the investee for the relevant period is adjusted, if necessary, for the fair value of the investee's identifiable assets and identifiable liabilities on acquisition and the Bank's accounting policies and accounting period.

If, for reasons such as additional investment, it is possible to exert a significant influence on the invested unit or to implement joint control but does not constitute control, the initial investment cost shall be calculated in accordance with the fair value of the original equity and the sum of the new investment cost as a change in equity method. The differences between the fair value and book value of the original equity on the date of conversion, and the cumulative changes in the fair value originally recorded in other comprehensive earnings are transferred to the profit and loss of the current period for the change of equity method.

Where the joint control or significant influence of the invested unit is lost due to the disposal of part of the equity investment, the remaining equity after disposal shall be accounted for according to "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments" on the date of the loss of joint control or significant influence, and the difference between the fair value and the book value shall be recorded into the profit and loss of the current period. The other comprehensive gains recognized by the original equity investment due to the equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the investee when the equity method is terminated. The changes of other owners' equity related to the original equity investment shall be transferred to the profit and loss of the current period.

If losing control over the investee due to the disposal of part of the equity investment, the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for according to the equity method and adjusted according to the equity method when the remaining equity is deemed to be self-acquired. If the residual equity after disposal can't exercise joint control or exert significant influence on the investee, the accounting treatment shall be carried out in accordance with the relevant provisions of "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments". The difference between the fair value and the book value on the date of loss of control shall be recorded in the profit and loss of the current period.

When losing control, but having common control or significant influence on investees due to decrease in shareholding ratio arising from capital increase by another investor, the bank shall recognize increased share of the net assets of the investee after the increase of capital according to the new share-holding ratio. The difference between the original book value of the long-term equity investment corresponding to the part of the decline in the proportion of the carry-over shares is recorded in the profit and loss of the current period. Then, according to the new shareholding ratio, the equity method is used to adjust the investment.

The unrealized internal transaction gains and losses between the bank and the joint venture shall be assigned to the bank according to the proportion of shares held, and the investment gains and losses shall be recognized on the basis of set-off. However, if the loss of unrealized internal transactions between the bank and the investee belongs to the loss of impairment of the transferred assets, it shall not be offset.

(3) Basis on determining joint control and significant influence on the investee

Joint control refers to the common control over an arrangement in accordance with the relevant agreements, and the related activities of the arrangement must be agreed by the participants who share the control rights before making decisions. In judging the existence of joint control, the first step is to determine whether the arrangement is collectively controlled by all participants or groups of participants, and the second step is to determine whether the decision-making of the relevant activities of the arrangement must be unanimously agreed by the participants of the arrangement under collective control. If all participants or a group of participants must act in concert to determine the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively

control the arrangement. If there is a combination of two or more participants who can collectively control an arrangement, it does not constitute joint control. If there is a common control, no protective rights are considered.

Significant influence means that the investor has the right to participate in the decision-making of the financial and business policies of the investee, but cannot control or control the formulation of these policies together with other parties.

In determining whether a significant influence can be exerted on the investee, the effect of the investor's direct or indirect holding of the voting shares of the investee and the current enforceable potential voting rights held by the investor and other parties on the assumption of conversion to the equity of the investee is taken into account. It includes the influence of the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

When the Bank directly or indirectly owns 20% (including 20%) or more of the investees but less than 50% of the voting shares through subsidiaries, it is presumed to have a significant influence on the investees, unless there is clear evidence that the bank cannot participate in the production and operation decision-making of the investees, and no significant influence is created. When the Bank owns voting shares under 20% (excluding) of the investee, it is presumed not to have a significant impact on the investee unless there is clear evidence that it can participate in the decision-making of the production and operation of the investee under such circumstances, which has a significant influence.

(4) Impairment test and impairment provision

The method of calculating assets impairment of the investment of subsidiaries and joint ventures see Note III.16.

11. Fixed assets and accumulated depreciation

(1) Recognition criteria of fixed assets

Fixed assets are physical assets which are held for production of goods, rendering of services, rental and daily operation and management and of which the useful life exceeds one accounting period.

Fixed assets include houses and buildings, transportation equipment, electronic computers and ancillary equipment, other machinery and equipment and construction in progress.

A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably.

Fixed assets are initially measured at cost.

(2) The method for depreciation

A fixed asset is depreciated using the straight-line method except for construction in progress.

The cost of construction in progress is measured at the actual expenditure incurred, including construction expenditure and capitalization of borrowing costs and other applicable costs incurred prior to the completion. An item of construction in progress is reclassified to fixed asset upon reaching condition necessary to be capable of operating in the manner intended by management.

Depreciation of a fixed asset starts in the next month of the month in which the fixed asset reaches its

predetermined usable condition. Depreciation is discontinued when the fix asset is derecognized or reclassified to held-for-sale assets. The useful lives, rates of estimated residual value and annual depreciation rates for each category of fixed assets are presented in the following table:

| Category | Depreciation period(year) | Residual value rate (%) | Annual depreciation rate (%) |
|-------------------------------|---------------------------|-------------------------|------------------------------|
| Buildings | 20-30 | 5 | 3.17-4.75 |
| Transportation vehicles | 5-6 | 5 | 15.83-19.00 |
| Electronic equipment | 5 | 5 | 19.00 |
| Other machinery and equipment | 5-11 | 5 | 8.64-19.00 |

The impairment allowance shall be deducted in the calculation of depreciation rate for fixed assets that are impaired.

- (3) See Note III.16 for details of assessment for impairment of fixed assets and impairment allowance for fixed assets.
- (4) The Bank assesses the useful life, the estimated net residual value and the depreciation method for fixed assets at each financial year-end. If circumstance indicates change is required, change in accounting estimates is carried out.
- (5) Overhaul cost

The overhaul cost is recognized in the cost of fixed assets when evidence indicates that the conditions for the recognition of fixed assets are satisfied; otherwise, the overhaul cost is recognized in profit or loss for the current period. Fixed assets are depreciated during regular overhaul intervals

12. Intangible assets

Intangible assets include the right of use for land, computer software and other intangible assets.

Intangible assets are measured at cost on initial recognition, and the useful lives are assessed upon acquisition. For an item of intangible assets which is with a finite useful life, the residual amount after deducting its estimated residual value and previously recognized impairment from its cost is amortized over its estimated remaining useful life using the amortization method that reflects the expected realization method of the economic benefits associated with the asset. If it is unable to determine the expected realization method of the economic benefits associated with the asset, straight-line method is adopted. Intangible assets with infinite useful life are not amortized.

Useful lives of intangible assets are reviewed at each financial year-end. If circumstances indicate that there is a change in the useful life of an item of intangible assets with a finite useful life, a change in accounting estimates is carried out. If circumstances indicate that the useful life of an item of intangible assets with infinite useful life becomes finite, the useful life of the intangible asset is estimated and the intangible asset is amortized accordingly.

If it is estimated that no economic benefits will flow to the Bank from an intangible asset on the balance sheet date, the book value of the intangible asset shall be transferred to current profit and loss.

See Note III.16 for details of assessment for impairment for intangible assets.

13. Research and development expenditure

For the expenses of internal research and development projects, the Bank classifies them into research expenses and development expenses. Expenditure incurred during the research phase is recognized as an expense when it is incurred.

Expenditure incurred during the development phase can only be capitalized if all of the following conditions are met:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Bank has clear intention to complete the intangible asset and to use or sell it;
- (3) It is evidential that the intangible asset will generate economic benefits either by selling the intangible asset itself or the goods produced by the intangible asset or by using it internally;
- (4) There are sufficient technical, financial and other resources to complete the intangible asset and the Bank is able to use it or sell it;
- (5) The bank is able to measure reliably the expenditure attributable to the intangible asset during its development.

Where a research and development project cannot be separated into the research stage and development stage, all expenditure incurred for the project is recognized in profit or loss when it is incurred.

Expenditure incurred during the development phase which cannot meet all conditions above is recognized in profit and loss when it is incurred.

The Bank's research and development projects, which meet the above-mentioned conditions and are through technical feasibility and economic feasibility study, could enter the development stage.

Expenditures that have been capitalized in the development stage are transferred to intangible assets from the date when the project is capable of operating in the manner intended by management.

14. Loan-offsetting assets

When the bank obtains the loan-offsetting assets, if the amount of loan-offsetting assets is lower than the sum of the principal of the creditor's rights and the interest in the statement, it shall be recorded as the amount of loan-offsetting assets. Where the amount of loan-offsetting assets equals or exceeds the sum of the principal of the creditor's right and the interest in the statement, it shall be recorded as the amount of the sum of the principal of the creditor's right and the interest in the statement. Taxes and fees owed to the loan-offsetting assets paid for obtaining the loan-offsetting assets, prepaid litigation costs and related taxes and fees paid for obtaining loan-offsetting assets are recognized loan-offsetting assets. When there is evidence that the net realizable value of loan-offsetting assets is lower than the book value, the bank reduces the book value to the net realizable value.

When the bank disposes of loan-offsetting assets, if the disposal income obtained is greater than the book value of the loan-offsetting assets, the difference is recognized as non-operating income. If the disposal income is less than the book value of the loan-offsetting assets, the difference is recognized as non-operating expenses. Expenses incurred during the custody process are directly charged to other operating expenses. Expenses occurred during the disposal process are reduced from disposal income.

The method for calculating assets impairment of loan-offsetting assets see Note III.16.

15. Long-term deferred expenses

The long-term deferred expenses incurred by the Bank are measured at actual cost and amortized on average over the expected benefit period. For long-term deferred expenses that cannot benefit the future accounting period, the amortized value is fully recognized in the current profit and loss.

16. Impairment of assets

Non-current non-monetary assets, such as long-term equity investments in subsidiaries, joint ventures and associates, fixed assets, construction in progress, intangible assets, and etc. (exclusive of deferred income tax assets and financial assets), are assessed for impairment on each balance-sheet date. If circumstances on a balance sheet date indicate that a non-current non-monetary asset is impaired, the recoverable amount of the asset is estimated. The recoverable amounts of goodwill, intangible assets with infinite useful life and intangible assets which have not yet reached the conditions of their intended use or sales are tested annually irrespective of whether there is indication of impairment.

If the carrying amount of a non-current non-monetary asset exceeds its estimated recoverable amount, the excess of the carrying amount over the estimated recoverable amount is recognized as impairment allowance and an impairment loss of the same amount is recognized. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and the present value of its future cash flows. Impairment allowance is generally calculated on the basis of individual assets. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a cash-generating unit to which the asset belongs is estimated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where the recoverable amount a cash-generating unit (or group of units) is lower than its carrying amount, an impairment loss is recognized.

Impairment loss recognized in accordance with this section is irreversible in subsequent periods.

17. Bonds payable

The financial bonds issued by the bank are treated as liabilities in accordance with the amount actually received (deducting the relevant transaction costs); The difference between the amount actually received by a bond issuance and the total par value of the bond is amortized as a premium or discount on the bond by the straight-line method according to the remaining maturity of the bond. Gains or losses that arise from the amortization of each period are recognized in current profits and losses. The issuance cost of bonds is amortized in line with the remaining period; each period amortization is recognized into current profits and losses.

18. Provisions

A contingent liability is recognized as provision if all or the following conditions are satisfied:

- a. the Bank has a present obligation as a result of a past event;
- b. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c. a reliable estimate can be made of the amount of the obligation.

A provision is measured on a balance-sheet date as the best estimate of the amount that is required for the fulfillment of the present obligation after taking into account of the risks and uncertainty associated with the respective contingent events and the time value of money. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows. The Bank reviews the book value of the estimated liabilities on the balance sheet date and adjusts the book value to reflect the current best estimate.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

19. Revenue

Revenue is recognized when it is probable that the associated economic benefits will flow to the Bank and the amount of revenue can be measured reliably.

(1) Interest income

The corresponding interest income is recognized by using an effective interest method. Effective interest method is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expenses in profit or loss over the relevant period. Effective interest rate refers to the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. The Bank considers all the contract terms of the financial instruments when forecasting future cash flows, but does not consider expected credit losses. The calculation includes all transaction costs and premiums attributable to the effective interest rate component.

After the impairment of financial assets, the interest income is recognized as the interest rate calculated by discounting the future cash flow when the impairment loss is determined.

(2) Fees and commission income

Fees and commission income are usually recognized on the accrual basis when providing relevant services.

The bank earns fees and commissions by providing various kinds of services to customers. Among them, for those services that are provided over a period of time, fees and commission income are averagely recognized during the corresponding period. For other services, fees and commission income are recognized when the transactions are completed.

(3) Foreign exchange gains or losses

Exchange gains and losses are mainly the exchange margin resulting from the exchange rate fluctuations in the foreign exchange exposure retained by the Bank and the exchange gains and losses resulting from the Bank's foreign exchange transactions.

20. Expenditure recognition

Interest expenses are recognized in the income statement using the effective interest method, and other expenses are recognized on the accrual basis.

21. Government Grants

The Government grants are recognized when the conditions attached to the government grants are satisfied and when it can be received.

In general, the Bank recognizes a government grant when it is actually received and measures at the amount actually received. However, a government grant may be recognized as receivable if it is objectively evidential on the reporting date that conditions for the grant receipt are satisfied and that the grant is receivable. If a government grant is in the form of non-monetary assets, it is measured by fair value of the assets; if the fair value of the assets granted cannot be reliably measured, the grant is measured by nominal value of the assets.

Government grants obtained by the Bank which are relevant to construction or acquisition of long-term assets are classified as asset-related government grants; all other government grants are classified as revenue-related government grants. For government grants without specified beneficiary, the Bank performs classification in accordance with the following criteria:

- a. Where a grant is obtained for a specified project, the grant is spitted into asset-related and revenue related portions proportionate to the project's investment to expense ratio; the classification is reviewed on each balance sheet date and revised if necessary.
- b. Where a grant is obtained for general purpose, the grant as a whole is classified as a revenue-related government grant.

The government grants that include both asset-related and income-related components are distinguished for separate accounting treatment; if it is difficult to distinguish, the government grants should be classified as income-related government grants as a whole.

Grants related to assets are recognized as deferred income and amortized over the useful life of the relevant assets using reasonable and systematic methods. A grant related to income is recognized as deferred income if it is related to expenses or loss to be incurred in the future and is carried to profit or loss for the period during which the relevant expenses or loss are recognized; it is recognized in profit or loss for the period during which it is received or becomes receivable if it is related to expenses or loss already incurred.

Where a recognized grant becomes repayable, the amount repayable is firstly charged to the remaining deferred income (if any); the remaining amount after charge to deferred income is recognized in profit or loss for the period during which it becomes repayable.

22. Deferred income tax assets and deferred income tax liabilities

Income tax includes current income tax and deferred income tax. Except for the deferred income tax related to the transactions or events that are directly recognized in owners' equity, income tax expense is recognized in profit or loss.

Based on the temporary differences between the book value and the tax base of assets and liabilities on the balance sheet date, the Bank adopts the balance sheet liability method to recognize deferred

income tax.

Deferred income tax liabilities shall be recognized for all taxable temporary differences, unless the taxable temporary differences arise in the following transactions:

(a) Initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, and the transaction occurs without affecting accounting profits or taxable income;

(b) For the temporary tax-payable differences related to the investment of subsidiaries and joint ventures, the time for the temporary differences to be reversed can be controlled and the temporary differences may not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax deductions that can be carried forward for subsequent years, the Bank recognizes the resulting deferred income tax assets limited to the amount of future taxable income likely to be obtained to offset deductible temporary differences, deductible losses and tax credits, unless the deductible temporary difference is generated in the following transactions:

(a) The transaction is not business combination and does not affect accounting profits or taxable income when the transaction occurs;

(b) For the deductible temporary differences related to the investment of subsidiaries and joint ventures, and satisfying the following conditions, the corresponding deferred income tax assets shall be recognized: the temporary differences are likely to be reversed in the foreseeable future, and the amount of taxable income to be used to offset the deductible temporary differences may be obtained in the future.

On the balance sheet date, the Bank measures deferred income tax assets and deferred income tax liabilities according to the applicable tax rates for the period during which the assets are expected to be recovered or the liabilities are liquidated, and reflects the impact of income tax on the manner in which assets are expected to be recovered or liabilities are liquidated on the balance sheet date.

On the balance sheet date, the bank reviews the book value of deferred income tax assets. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of deferred income tax assets, the carrying amount of deferred income tax assets shall be write down. When it is probable that sufficient taxable income will be obtained, the amount of the write-down will be reversed.

23. Operating leases

(1) Operating lease to which the Bank is the lessee

Lease payments for an operating lease to which the Bank is the lessee is amortized over the lease term using the straight-line method and recognized in the cost of the relevant asset or as expense, whichever is applicable. Initial expenses incurred for activities directly attributable to the lease are recognized in profit or loss for the period during which they are incurred.

(2) Operating lease to which the Bank is the lessor

Rental income from an operating lease to which the Bank is the lessor is amortized over the lease term using the straight-line method. Significant initial expenses incurred for activities are recognized in profit

or loss for the period during which they are incurred.

24. Employee Benefits

(1) The range of employee benefits

Employee compensation refers to various forms of remuneration or compensation provided by an enterprise to obtain services provided by employees or to terminate labor relations. Employee benefits include short-term compensation and post-employment benefits. The benefits provided by the enterprise to the employee's spouse, children, dependents, deceased employee survivors and other beneficiaries are also included in employee benefits.

(2) Short-term employee benefits

Short-term employee benefits include wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, and etc. Short-term employee benefits are recognized as liabilities and profit or loss account or the costs associated with the asset during the accounting period when employees actually provide services. If the liability is not expected to be fully paid within 12 months after the end of the reporting period in which the employee provides the relevant services, and the financial impact is significant, the liability is measured at the discounted amount.

(3) Post-employment Benefit

Post-employment benefits include basic retirement security, unemployment insurance, supplementary pensions, supplementary medical insurance and supplementary retirement benefits.

Apart from basic retirement security, employees of the Bank participate in the supplementary pensions and supplementary medical insurance established by the Bank after approval by the Ministry of Finance and record by the Ministry of Human Resources and Social Security. The bank pays to the supplementary pensions and supplementary medical insurance according to a certain proportion of the employees' salary in the previous year, and the payment obligation is recorded in profit and loss of the current period when it occurs.

25. Fiduciary business

The Bank acts as the custodian, trustee or agent of the customers in the fiduciary business. The bank's balance sheet does not include the assets it holds as a result of its fiduciary business and the commitment to return the assets to its customers. The risks and benefits of the assets are borne by the customers, and the bank receives only intermediate business income, excluding provision for impairment.

(1) Entrusted loan

The entrusted loan refers to the loan provided by the principal (entrusted deposit), which is issued, supervised and recovered by the bank on behalf of the principal according to the requirements of the loan object, purpose, amount, term and interest rate determined by the principal. The risk is borne by the principal.

(2) Agent syndicated loan

Agent syndicated loan is a syndicated loan issued by the bank as an agent.

(3) Non-guaranteed wealth management products

Non-guaranteed wealth management products refer to wealth management products that the Bank accepts the entrustment and authorization of investors, and conducts transactions, investment, allocation and management of investors' funds or assets independently according to prior agreement, and pays the proceeds to customers according to the agreed conditions and actual investment income, which do not guarantee the customer's principal payment, fixed income or minimum income.

(4) Other business

The Bank acts as an agent for other businesses, such as collecting premiums and collecting intermediary business income.

26. Asset securitization business

The bank securitizes certain credit assets and generally sells them to a specific purpose entity, which then issues securities to investors. The rights and interests of securitized financial assets are retained in the form of credit enhancement, subordinated bonds or other residual rights and interests (reserved interests). Retained interest is recorded in the balance sheet of the bank at fair value. The gains or losses of securitization depend on the book value of the transferred financial assets and are distributed between the terminated recognized financial assets and the retained interests at their relevant fair value on the date of transfer. The gains or losses of securitization are recorded in the profit and loss of the current period

In applying the securitized financial assets policy, the Bank has considered the risk and degree of reward transfer of assets transferred to another entity and the extent to which it exercises control over that entity:

(a) When the Bank has transferred substantially all the risks and rewards of the ownership of the financial asset, it will terminate the recognition of the financial asset;

(b) The Bank will continue to recognize the financial assets when it retains substantially all the risks and rewards of the ownership of the financial assets;

(c) If the bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it will consider whether there is control over the financial asset. If the Bank does not retain control, it will terminate the recognition of the financial asset and recognize the rights and obligations arising from or retained in the transfer as assets or liabilities, respectively. If the bank reserves the right of control, the financial assets will be recognized on the basis of the continued involvement of financial assets.

27. General risk preparation

The bank has a special accounting policy on general reserves, which are used to compensate for unrecognized loss possibilities. The specific proportion or amount shall be determined according to the policy requirements of the competent government departments.

28. Significant accounting judgements and estimates

Based on historical experience and other factors, including reasonable expectations of future events, the Bank continuously evaluates important accounting estimates and key assumptions adopted.

Important accounting estimates and key assumptions that are likely to lead to significant adjustments in the book value of assets and liabilities for the next fiscal year are listed below:

Classification of financial assets

The bank needs to make a major judgment on the classification of financial assets. Different classification will affect the accounting methods and the financial situation of the Bank.

The Bank classifies non-derivative financial assets that are eligible for a fixed or deterministic amount of repayment and a fixed maturity date and have a clear intention and ability to hold to maturity as holding to maturity investments. This classification involves substantial judgement. In the course of judgment, the Bank will evaluate its willingness and ability to hold such bonds until maturity.

Except in specific cases (e.g. bonds sold at near maturity for insignificant amounts), if the bank fails to hold these bonds until maturity, all such bonds must be reclassified into available-for-sale financial assets and measured at fair value instead of amortized cost.

Impairment losses on loans

The impairment of loans and account receivables mainly refers to the provisions covering 150% of the provision coverage and 2.5% of the provision-to-loan ratio in the "Measures for the Management of Loan Loss Reserve for Commercial Banks" issued by the CBRC.

Impairment of available-for-sale financial assets and held to maturity investments

When determine whether there is any impairment in the value of available-for-sale financial assets and held to maturity investments, management judges based on actual situations.

If the fair value of available-for-sale financial assets falls substantially or continuously and falls below the cost, the Bank determines that the impairment has occurred.

In the process of judgement, the Bank needs to evaluate the extent and duration of the investment's fair value below cost, as well as the financial position and short-term business outlook of the invested party, including industry status, credit rating, default rate and counterparty risk.

Fair value of financial instruments

For financial instruments lacking active markets, the bank uses valuation techniques to determine their fair value, which include discounted cash flow models and other valuation models. The assumptions and input variables of valuation techniques include risk-free interest rate, target interest rate, exchange rate, and credit spread and liquidity premium. When using the discounted cash flow model, cash flow is based on the best management estimate, and the discount rate is the current interest rate of financial instruments with similar terms and conditions in the market on the balance sheet date.

When using other pricing models, the input parameters are based to the greatest extent on observable market data on the balance sheet date. When observable market data are unavailable, the Bank will make the best estimate of the significant market data included in the valuation method. The changes of these assumptions will affect the fair value of financial instruments.

Provisions

The Bank will determine whether current statutory obligations or presumptive obligations arise as a result of past events, and determine the likelihood of outflow of economic benefits resulting from the

fulfilment of relevant obligations to determine a reliable estimate of the amount of the obligation and the relevant disclosure in the financial statements on each balance sheet date,

Income tax

Extensive efforts of estimation need to be made by the Bank when it calculates income tax, and there are some uncertainties in the final tax treatment and calculation of some transactions. In particular, whether some of the projects can be approved at the forefront of taxation requires the approval of the competent authorities of the government. If the final result of these tax items is different from the original amount, the difference will affect the current income tax and deferred income tax as well as the liabilities payable, deferred income tax assets and deferred income tax liabilities.

29、Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

There are no changes in significant accounting policies during the reporting period.

(2) Change in significant accounting estimates

There are no changes in significant accounting estimates during the reporting period.

Note IV Taxes

1. Major categories of taxes and tax rates

| Tax | tax basis | Tax Rate (%) |
|--|----------------|--------------|
| VAT | Taxable income | 3-17 |
| Urban maintenance and construction tax | VAT | 5、7 |
| education surcharges | VAT | 2、3 |
| Corporate income tax | Taxable profit | 25 |

The VAT, urban maintenance and construction tax, and education surcharges of the Bank are paid separately by the institutions at all levels according to the requirements of local tax bureau. The corporate income tax is paid collectively by the head office.

2. Tax policies

(1) In accordance with “Regulations on the Administration of the Collection of Income Tax for Cross-region Business Operations” (〔2012〕 No. 57) and “Notice on the collection and management of enterprise income tax such as Industrial Commercial Bank of China Ltd” (Guoshuihan〔2010〕 No.184) released by State of Administration of Taxation, the ADBC paid corporate income tax collectively by the head office.

(2) In accordance with “Notice on Relevant Issues on the Pre-tax Deduction of Loan Impairment Reserve for Agricultural Loans to Financial Enterprises and Loans to Small and Medium-sized Enterprises” (CaiShui〔2015〕 No. 3), the policy in relation to agricultural loans to Financial Enterprises and loans to small and medium-sized enterprises is implemented from January 1, 2014 to December 31, 2018.

(3) In accordance with “Notice on Relevant Policies on the Pre-tax Deduction Loan Impairment Allowance for Financial Enterprises” (CaiShui No.9 (2015)), the pre-tax deduction limit for loan impairment allowance is 1% of the balance of the loan assets. The policy is implemented from January 1, 2014 to December 31, 2018.

(4) In accordance with “Notice on Several Policies on the Pilot Project of Replacing Business Tax with VAT” (Caishui (2016) No.39) issued by Ministry of Finance and the State Administration of Taxation, a levy rate of 3% is applicable for the interest income from agriculture related loans for simplicity. Therefore, the ADBC adopts the levy rate of 3% for the interest income from agriculture related loan as stated in Caishui (2016) No.39. For interest income from other loans, fee and commission income, investment income and etc, the VAT is calculated as 6% of the taxable income. 17%, 11%, and 5% are applicable for other operating revenue in accordance with regulations.

Note V Notes to significant elements of the consolidated financial statements

1. Cash and deposits with central bank

| Item | C/f | B/f |
|--|---------------------------|---------------------------|
| Cash and bank deposit | 31,694,400,301.60 | 6,876,409,311.04 |
| Statutory reserve with central bank | 129,316,689,460.83 | 112,857,003,181.17 |
| Surplus reserves with central bank | 38,746,383,215.07 | 71,160,483,063.14 |
| Foreign currency deposit reserve with the central bank | 41,718,553.89 | 46,275,200.86 |
| Total | 199,799,191,531.39 | 190,940,170,756.21 |

(1) Statutory reserve with the central bank is the general reserve deposited with the People’s Bank of China by the Bank in accordance with the relevant regulations, and such deposits cannot be used for daily operating activities of the Bank. The scope of the deposit reserve includes the deposit of non-profit institutions, extrabudgetary deposit, entities’ deposit and other deposit. The mandatory reserve deposit rates of the Bank are as follows:

| Item | C/f | B/f |
|------------------|-------|-------|
| CNY | 8.50% | 9.00% |
| Foreign currency | 5.00% | 5.00% |

(2) Surplus reserves with the central bank is the surplus reserves deposited with the People’s Bank of China by the Bank for fund settlement, financial institution transfer and etc.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

2. Due from banks

| Item | C/f | B/f |
|---|---------------------------|---------------------------|
| Deposits with domestic banks | 190,670,041,612.97 | 299,936,155,273.83 |
| Deposits with other domestic financial institutions | 17,403,718.37 | 35,191,616.72 |
| Deposits with overseas banks | 296,809,486.69 | 835,161,876.72 |
| Subtotal | 190,984,254,818.03 | 300,806,508,767.27 |
| less: Allowance for impairment losses | 1,564,434.50 | 2,010,407.63 |
| Carrying amounts | 190,982,690,383.53 | 300,804,498,359.64 |

3. Placements with banks and other financial institutions

| Item | C/f | B/f |
|---|--------------------------|--------------------------|
| Placements with domestic banks | 55,973,420,000.00 | 43,163,070,000.00 |
| Placements with other domestic financial institutions | 28,000,000,000.00 | 20,050,000,000.00 |
| Placements with overseas banks | -- | -- |
| Subtotal | 83,973,420,000.00 | 63,213,070,000.00 |
| less : Allowance for impairment losses | -- | -- |
| Carrying amounts | 83,973,420,000.00 | 63,213,070,000.00 |

4. Financial assets at fair value through profit or loss

| Item | C/f | B/f |
|--|-------------------------|-----------------------|
| Designated at fair value through profit or loss financial assets | 1,203,866,690.74 | 622,507,467.55 |
| Including: Bank wealth management products | 1,203,866,690.74 | 622,507,467.55 |
| Total | 1,203,866,690.74 | 622,507,467.55 |

5. Derivative financial assets

| Item | C/f(fair value) | B/f(fair value) |
|-----------------------------|---------------------|-----------------|
| Derivative financial assets | 2,840,907.67 | -- |
| Total | 2,840,907.67 | -- |

Note: the Bank signed forward contracts with third party payment institutions, and settled forward foreign exchange contract on behalf of customers. The fair value of the derivative financial assets amounted to

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

2,840,907.67 based on estimation at the year end.

6. Financial assets held under resale agreements

| Item | C/f | B/f |
|---------------------------------------|---------------------------|---------------------------|
| Debt securities | 211,903,186,000.00 | 177,315,513,000.00 |
| Acceptances | -- | -- |
| Including: Banks' acceptance | -- | -- |
| Subtotal | 211,903,186,000.00 | 177,315,513,000.00 |
| less: Allowance for impairment losses | -- | -- |
| Carrying amounts | 211,903,186,000.00 | 177,315,513,000.00 |

7. Interests receivable

| Item | C/f | B/f |
|---|--------------------------|--------------------------|
| Interests receivable from loans and advances | 10,507,341,161.16 | 7,928,189,632.79 |
| Interests receivable from held-to-maturity investment | 6,362,085,081.43 | 4,478,729,827.39 |
| Others | 1,961,515,490.53 | 1,537,938,790.41 |
| Carrying amounts | 18,830,941,733.12 | 13,944,858,250.59 |

8. Loans and advances

(1) Analysis of loans and advances to customers

| Item | C/f | B/f |
|---------------------------------------|-----------------------------|-----------------------------|
| Loans and advances | 4,601,542,553,096.94 | 4,053,324,333,902.11 |
| Discounted bills | 54,497,721,635.53 | 41,307,893,103.51 |
| Subtotal | 4,656,040,274,732.47 | 4,094,632,227,005.62 |
| Less: allowance for impairment losses | 148,879,755,772.96 | 113,711,453,781.22 |
| Carrying amounts | 4,507,160,518,959.51 | 3,980,920,773,224.40 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

(2) Analysis of loans and advances to customers by geographical area

| Item | C/f | | B/f | |
|---------------------------------------|-----------------------------|------------|-----------------------------|------------|
| | Book value | % of total | Book value | % of total |
| Eastern China | 1,342,770,893,765.67 | 28.84 | 1,234,232,455,890.39 | 30.14 |
| Central China | 1,164,896,468,500.38 | 25.02 | 957,930,782,781.12 | 23.39 |
| Western China | 1,276,446,391,734.15 | 27.41 | 1,051,533,768,339.76 | 25.68 |
| Northeastern China | 871,926,520,732.27 | 18.73 | 850,935,219,994.35 | 20.79 |
| Subtotal | 4,656,040,274,732.47 | 100.00 | 4,094,632,227,005.62 | 100.00 |
| Less: Allowance for impairment losses | 148,879,755,772.96 | -- | 113,711,453,781.22 | -- |
| Carrying amounts | 4,507,160,518,959.51 | -- | 3,980,920,773,224.40 | -- |

(3) Analysis of loans and advances to customers by collateral type

| Item | C/f | B/f |
|---|-----------------------------|-----------------------------|
| Unsecured loans | 2,196,975,592,182.20 | 2,121,217,806,080.29 |
| Guaranteed loans | 1,069,893,009,833.90 | 748,124,468,592.95 |
| Collateralised and other secured loans | 1,389,171,672,716.37 | 1,225,289,952,332.38 |
| Including: Loans secured by property and other immovable assets | 609,295,723,308.49 | 752,090,125,613.68 |
| Other pledged loans | 779,875,949,407.88 | 473,199,826,718.70 |
| Subtotal | 4,656,040,274,732.47 | 4,094,632,227,005.62 |
| Less: Allowance for impairment losses | 148,879,755,772.96 | 113,711,453,781.22 |
| Carrying amounts | 4,507,160,518,959.51 | 3,980,920,773,224.40 |

(4) Reconciliation of allowance for impairment losses on loans and advances

| Item | Current year | Prior year |
|--------------------------------|--------------------|--------------------|
| As at 1 January | 113,711,453,781.22 | 93,838,164,118.01 |
| Impairment losses for the year | 41,309,979,032.22 | 24,915,233,216.02 |
| Reversal | 20,227,484.37 | 32,188,742.40 |
| Write-off and transfer out | 6,161,904,524.85 | 5,074,132,295.21 |
| As at 31 December | 148,879,755,772.96 | 113,711,453,781.22 |

(5) Loan provision rate and provision coverage

| Item | Current year | Prior year |
|---------------------|--------------|------------|
| Loan provision rate | 3.20% | 2.78% |
| Provision coverage | 393.68% | 316.03% |

Loan provision rate equals to loan balance divided by allowance for impairment loss; Provision coverage equals to non-performing loan balance divided by allowance for impairment loss.

(6) the Bank had continuing involvement in the following securitised assets and liabilities due to its holding of loans

| Item | C/f | B/f |
|-----------------|-----------------------|-----------------------|
| Asset: | | |
| Other asset | 300,495,872.25 | 366,592,500.00 |
| Subtotal | 300,495,872.25 | 366,592,500.00 |
| Liability: | | |
| Other liability | 300,495,872.25 | 366,592,500.00 |
| Subtotal | 300,495,872.25 | 366,592,500.00 |

Note: Subprime asset-backed securities

On January 22, 2015, the Bank, as the trustor, transferred 102 pieces of securitized credit assets amounting to CNY 3.356 billion to the first phase of the 2015 Fayuan Credit Asset Securitization Trust Scheme established by CITIC Trust Co., Ltd. as the trustee. The Bank held tranches of the subprime securities of the trust scheme, which amounted to CNY 367 million. The subprime securities held by the Bank paid the principles of CNY 67 million during the year 2017.

In the business of credit asset securitization, the Bank neither transferred nor retained substantially all the risks and rewards attached to the ownership of the trust assets. The bank did not give up the control of the financial assets. According to the relevant provisions of Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, the transferred financial asset is continued to be recognized to the extent of the entity's continuing involvement, and relative liability is recognized accordingly.

In accordance with the trust contract signed by the Bank and the trustee, the Bank will entrust its legally owned credit assets to the trustee. The trustee will set up a trust as a special purpose vehicle to manage, use and dispose of the trust asset on behalf of the holder of asset-backed securities. Through the establishment of trust, the Bank achieves the risk isolation between credit assets and other self-owned assets of the bank, and the risk isolation between credit assets and the bankruptcy risk of the client.

By the end of 2017, the subprime securities of the trust scheme held by the Bank amounted to CNY 300 million and the Bank retained continuing involvement to the securitized credit assets. Therefore, other assets and other liabilities amounting to 300 million respectively are recognized to the extent of the Bank's continuing involvement.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

9. Held-to-maturity investments

| Item | Gross amount | C/f | Carrying amounts | Gross amount |
|--|---------------------------|---------------------------------|---------------------------|---------------------------|
| | | Allowance for impairment losses | | |
| Investment of China Agriculture Development Key Construction Fund Co., Ltd | 435,197,141,715.77 | 9,525,818,000.00 | 425,671,323,715.77 | 454,967,789,187.50 |
| Bonds | 5,256,972,017.81 | -- | 5,256,972,017.81 | 3,160,000,000.00 |
| Asset-backed securities | -- | -- | -- | 25,320,000.00 |
| Certificates of deposits | 92,456,629,274.44 | -- | 92,456,629,274.44 | 76,828,886,533.57 |
| Subtotal | 532,910,743,008.02 | 9,525,818,000.00 | 523,384,925,008.02 | 534,981,995,721.07 |

10. Financial assets classified as receivables

| Item | C/f |
|---|---------------------------|
| Self-sustaining part of asset-backed securities | 300,495,872.25 |
| Debt securities | 426,668,629,960.00 |
| subtotal | 426,969,125,832.25 |
| Less: Allowance for impairment losses | -- |
| Carrying amounts | 426,969,125,832.25 |

Note: Details of Credit Asset Securitization in V.8.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

11. Long-term equity investments

| Item | B/f | Currency year movement | | | | | |
|--|-------------------------|------------------------|----------------------|--|---------------------------------------|-------------------------|------------------------------------|
| | | Additional investment | Investment reduction | Investment gains and losses recognized under the equity method | Other comprehensive income adjustment | Other changes in equity | Declared cash dividends or profits |
| Investment in associates: | | | | | | | |
| China Agricultural Industry Development Fund Co., Ltd. | 1,025,365,123.25 | -- | -- | -15,485,281.04 | -- | -- | -- |
| Modern Seed Industry Development Fund Co., Ltd. | 552,549,818.55 | -- | -- | 1,064,141.39 | -27,817,822.71 | -- | -- |
| Beijing Xiannong Cci Capital Ltd | 12,504,737.76 | -- | -- | 1,579,083.29 | -- | -- | 3,200,000.00 |
| Total | 1,590,419,679.56 | -- | -- | -12,842,056.36 | -27,817,822.71 | -- | 3,200,000.00 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

12. Fixed assets

| Item | Houses and buildings | Transportation equipment | Computers and ancillary equipment | Other machinery and equipment |
|-------------------------------------|----------------------|--------------------------|-----------------------------------|-------------------------------|
| Cost: | | | | |
| 1. Balance as at 31/12/2015 | 15,598,819,575.01 | 1,639,246,892.25 | 2,263,786,764.85 | 3,040,577,663.83 |
| 2. Increased in current year | 1,945,453,220.58 | 18,112,318.49 | 84,297,494.48 | 456,079,425.12 |
| 3. Decreased in current year | 462,121,180.68 | 20,299,124.20 | 150,848,171.14 | 120,419,776.06 |
| 4. Balance as at 31/12/2016 | 17,082,151,614.91 | 1,637,060,086.54 | 2,197,236,088.19 | 3,376,237,312.89 |
| Accumulated Depreciation | | | | |
| 1. Balance as at 31/12/2015 | 5,044,602,065.90 | 1,128,309,508.02 | 1,714,023,499.10 | 1,566,499,332.03 |
| 2. Increased in current year | 500,807,724.25 | 154,527,723.61 | 185,481,290.82 | 403,686,319.71 |
| 3. Decreased in current year | 66,286,452.09 | 9,049,430.85 | 139,392,699.64 | 107,311,337.97 |
| 4. Balance as at 31/12/2016 | 5,479,123,338.06 | 1,273,787,800.78 | 1,760,112,090.28 | 1,862,874,313.77 |
| Impairment allowance | | | | |
| 1. Balance as at 31/12/2015 | 10,754,707.47 | -- | -- | -- |
| 2. Increased in current year | 5,073.63 | -- | -- | -- |
| 3. Decreased in current year | 8,298,767.56 | -- | -- | -- |
| 4. Balance as at 31/12/2016 | 2,461,013.54 | -- | -- | -- |
| Carrying amount | | | | |
| 1. Carrying amount as at 31/12/2017 | 11,600,567,263.31 | 363,272,285.76 | 437,123,997.91 | 1,513,362,999.12 |
| 2. Carrying amount as at 31/12/2016 | 10,543,462,801.64 | 510,937,384.23 | 549,763,265.75 | 1,474,078,331.80 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

13. Intangible assets

| Item | Land rights | Software | Others | Total |
|-------------------------------------|----------------|----------------|---------------|------------------|
| Cost: | | | | |
| 1. Balance as at 31/12/2015 | 257,655,607.97 | 773,312,890.10 | 23,698,994.90 | 1,054,667,492.97 |
| 2. Increased in current year | 30,693,077.62 | 74,334,815.80 | 7,798,331.10 | 112,826,224.52 |
| 3. Decreased in current year | 1,019,183.32 | 682,615.00 | 12,400.00 | 1,714,198.32 |
| 4. Balance as at 31/12/2016 | 287,329,502.27 | 846,965,090.90 | 31,484,926.00 | 1,165,779,519.17 |
| Accumulated amortization | | | | |
| 1. Balance as at 31/12/2015 | 34,991,308.08 | 554,993,845.19 | 3,167,520.90 | 593,152,674.17 |
| 2. Increased in current year | 7,150,900.74 | 78,320,696.36 | 1,030,577.62 | 86,502,174.72 |
| 3. Decreased in current year | 245,072.36 | 682,615.00 | -- | 927,687.36 |
| 4. Balance as at 31/12/2016 | 41,897,136.46 | 632,631,926.55 | 4,198,098.52 | 678,727,161.53 |
| Impairment allowance | | | | |
| 1. Balance as at 31/12/2015 | 486,744.00 | -- | -- | 486,744.00 |
| 2. Increased in current year | -- | -- | -- | -- |
| 3. Decreased in current year | -- | -- | -- | -- |
| 4. Balance as at 31/12/2016 | 486,744.00 | -- | -- | 486,744.00 |
| Carrying amount | | | | |
| 1. Carrying amount as at 31/12/2017 | 244,945,621.81 | 214,333,164.35 | 27,286,827.48 | 486,565,613.64 |
| 2. Carrying amount as at 31/12/2016 | 222,177,555.89 | 218,319,044.91 | 20,531,474.00 | 461,028,074.80 |

14. Deferred income tax assets

Undeferred deferred income tax assets and deferred income tax liabilities

| Item | C/f | | B/f | |
|------------------------------------|---------------------------------|--|---------------------------------|--|
| | Deductible temporary difference | Deferred income tax assets/liabilities | Deductible temporary difference | Deferred income tax assets/liabilities |
| Deferred income tax assets: | | | | |
| Allowance for Impairment losses | 112,561,466,115.81 | 28,140,366,528.96 | 77,258,569,079.32 | 19,314,642,269.83 |
| Accrued unpaid staff cost | 5,213,832,264.56 | 1,303,458,066.14 | 5,213,832,264.56 | 1,303,458,066.14 |
| Subtotal | 117,775,298,380.37 | 29,443,824,595.10 | 82,472,401,343.88 | 20,618,100,335.97 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Deferred income tax liabilities: | | | | |
|--|---------------------|---------------------|----------------------|----------------------|
| Interest income from government bonds | -- | -- | 35,306,325.38 | 8,826,581.35 |
| Changes in fair value of financial instruments | 6,804,119.83 | 1,701,029.96 | 6,679,021.05 | 1,669,755.26 |
| Subtotal | 6,804,119.83 | 1,701,029.96 | 41,985,346.43 | 10,496,336.61 |

15. Other assets

| Item | C/f | B/f |
|--|-------------------------|-------------------------|
| Other accounts receivable | 2,634,925,419.26 | 2,072,670,085.14 |
| Long-term deferred expenses | 2,706,629,438.29 | 2,369,153,418.84 |
| Loan-offsetting assets | 4,965,502,276.80 | 4,602,680,740.84 |
| Liquidation of fixed asset | 5,039,196.02 | 5,715,029.71 |
| Financial assets with continuing involvement | 300,495,872.25 | 366,592,500.00 |
| Others | 344,309,650.00 | 337,327,788.89 |
| Less: Allowance for impairment losses | 1,730,347,451.20 | 1,555,428,938.30 |
| Total | 9,226,554,401.42 | 8,198,710,625.12 |

16. Borrowings from PBOC

| Item | C/f | B/f |
|---------------------------------------|---------------------------|---------------------------|
| Borrowings from PBOC | 302,000,000,000.00 | 302,000,000,000.00 |
| Mortgage supplementary loan from PBOC | 392,200,000,000.00 | 260,000,000,000.00 |
| Total | 694,200,000,000.00 | 562,000,000,000.00 |

17. Due to banks and financial institutions

| Item | C/f | B/f |
|--|--------------------------|--------------------------|
| Due to other domestic banks and financial institutions | 14,397,990,471.70 | 25,325,514,621.28 |
| Total | 14,397,990,471.70 | 25,325,514,621.28 |

18. Placement from interbank borrowing

| Item | C/f | B/f |
|-------------------------------|------------|----------------------|
| Placement from domestic banks | -- | 21,920,226.30 |
| Placement from foreign banks | -- | -- |
| Total | | 21,920,226.30 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

19. Financial liabilities at fair value through profit or loss

| Item | C/f (fair value) | B/f (fair value) |
|--|-------------------------|-----------------------|
| Designated as financial liabilities at fair value through profit or loss | 1,202,814,246.58 | 608,045,205.48 |
| including: wealth management products | 1,202,814,246.58 | 608,045,205.48 |
| Total | 1,202,814,246.58 | 608,045,205.48 |

20. Derivative financial liabilities

| Item | C/f (fair value) | B/f (fair value) |
|----------------------------------|------------------|-------------------|
| Derivative financial liabilities | -- | 103,658.11 |
| Total | -- | 103,658.11 |

21. Deposits received

| Item | C/f | B/f |
|-----------------------------------|-----------------------------|-----------------------------|
| Demand deposits | 1,343,777,100,825.45 | 1,311,317,850,317.49 |
| Time deposits | 93,634,896,372.09 | 96,551,245,158.73 |
| Remittance and Remittance payable | 150,138,830.65 | 2,230,408,676.51 |
| Refundable deposits | 15,400,213,777.76 | 19,085,776,340.02 |
| Total | 1,452,962,349,805.95 | 1,429,185,280,492.75 |

22. Employee benefits payable

| Item | B/f | Current year increase | Current year decrease | C/f |
|------------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Short-term employee benefits | 5,326,851,728.09 | 14,432,289,364.31 | 12,205,611,143.00 | 7,553,529,949.40 |
| Post-employment benefits | 386,447,982.57 | 2,118,767,242.51 | 2,110,796,740.27 | 394,418,484.81 |
| Total | 5,713,299,710.66 | 16,551,056,606.82 | 14,316,407,883.27 | 7,947,948,434.21 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

(1) Short-term employee benefits

| Item | B/f | Current year increase | Current year decrease | C/f |
|------------------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Wages, salaries and subsidies | 5,199,832,946.64 | 11,687,999,992.54 | 9,494,112,886.75 | 7,393,720,052.43 |
| Employee welfare | -- | 781,101,452.39 | 781,101,452.39 | -- |
| Social insurance: | 2,135,680.84 | 470,391,052.90 | 471,500,862.34 | 1,025,871.40 |
| Including: 1. Medical insurance | 2,059,748.23 | 418,416,885.04 | 419,515,584.26 | 961,049.01 |
| 2. Employment injury and Maternity | 26,737.13 | 37,392,216.99 | 37,403,327.21 | 15,626.91 |
| 3. Others | 49,195.48 | 14,581,950.87 | 14,581,950.87 | 49,195.48 |
| Housing provident fund | 10,193,861.19 | 960,578,408.33 | 958,543,322.60 | 12,228,946.92 |
| Labour union fee and employee | 59,808,917.87 | 378,101,712.75 | 369,591,402.77 | 68,319,227.85 |
| Other short-term welfare | 54,880,321.55 | 154,116,745.40 | 130,761,216.15 | 78,235,850.80 |
| Total | 5,326,851,728.09 | 14,432,289,364.31 | 12,205,611,143.00 | 7,553,529,949.40 |

(2) Post-employment benefits

| Item | B/f | Current year increase | Current year decrease | C/f |
|----------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Basic pension | 21,313,191.83 | 1,196,835,690.86 | 1,196,551,675.00 | 21,597,207.69 |
| Unemployment insurance | 764,518.24 | 22,699,396.56 | 22,719,538.69 | 744,376.11 |
| Supplementary retirement benefit | 345,581,791.06 | -- | 1,420,152.55 | 344,161,638.51 |
| Supplementary pensions | 1,105,502.48 | 459,952,127.23 | 455,018,911.77 | 6,038,717.94 |
| Supplementary medical benefits | 17,682,978.96 | 439,280,027.86 | 435,086,462.26 | 21,876,544.56 |
| Total | 386,447,982.57 | 2,118,767,242.51 | 2,110,796,740.27 | 394,418,484.81 |

23. Taxes and fees payable

| Item | B/f | C/f |
|--|-------------------------|-------------------------|
| Corporate income tax | 5,225,503,014.79 | 1,447,019,802.89 |
| Value-added Tax | 1,567,543,011.71 | 1,345,601,585.04 |
| Urban Construction and Maintenance Tax | 103,218,522.37 | 91,977,155.69 |
| Others | 187,712,128.48 | 147,185,129.99 |
| Total | 7,083,976,677.35 | 3,031,783,673.61 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

24. Interests payable

| Item | B/f | C/f |
|-----------------------------|--------------------------|--------------------------|
| Interest payable on deposit | 1,682,486,859.20 | 1,401,319,032.51 |
| Interest payable on bonds | 90,981,642,461.11 | 78,743,635,709.27 |
| Others | -- | 178,558.38 |
| Total | 92,664,129,320.31 | 80,145,133,300.16 |

25. Bonds payable

| Item | B/f | C/f |
|-------------------------|-----------------------------|-----------------------------|
| Financial bonds payable | 3,813,134,606,622.10 | 3,389,011,140,807.91 |
| Total | 3,813,134,606,622.10 | 3,389,011,140,807.91 |

26. Other liabilities

| Item | B/f | C/f |
|---|-------------------------|-------------------------|
| Promissory note | 1,300.00 | 1,300.00 |
| Other payables | 1,606,425,278.56 | 1,913,947,108.76 |
| Deferred income | 76,509,644.14 | 73,385,975.07 |
| financial liabilities with continuing involvement | 300,495,872.25 | 366,592,500.00 |
| Others | 328,432,491.87 | 349,080,256.95 |
| Total | 2,311,864,586.82 | 2,703,007,140.78 |

Other payables:

| Item | B/f | C/f |
|---|-------------------------|-------------------------|
| Foreign-exchange payment by installment | 286,439,725.40 | 315,991,449.20 |
| Interest payable subsidy | 4,292,732.86 | 43,496,426.18 |
| Interest subsidy payable to purchaser of grains on credit | 63,916,590.75 | 65,017,888.86 |
| Others | 1,251,776,229.55 | 1,489,441,344.52 |
| Total | 1,606,425,278.56 | 1,913,947,108.76 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

27. Paid-in capital

| Investor | B/f | | C/f | |
|---|--------------------------|------------|--------------------------|------------|
| | Capital contribution | % of total | Capital contribution | % of total |
| Ministry of Finance of the People's Republic of China | 57,000,000,000.00 | 100 | 57,000,000,000.00 | 100 |
| Total | 57,000,000,000.00 | 100 | 57,000,000,000.00 | 100 |

28. Capital reserves

| Item | B/f | Current year increase | Current year decrease | C/f |
|------------------------|----------------------|-----------------------|-----------------------|----------------------|
| Other Capital reserves | 12,397,525.36 | -- | -- | 12,397,525.36 |
| Total | 12,397,525.36 | -- | -- | 12,397,525.36 |

29. Other comprehensive income

| Item | B/f | Total amount in current year | | | C/f |
|---|----------------------|--------------------------------|--|--------------------------|----------------------|
| | | Amount for the year before tax | Less: previously recognized other comprehensive income transferred into profit or loss | Less: Income tax expense | |
| Other comprehensive income that will be reclassified into profit or loss in the future | | | | | |
| Share of OCI classifiable to profit or loss in subsequent periods recognized by investees measured by the equity method | 38,542,936.65 | -27,817,822.71 | -- | -- | 10,725,113.94 |
| Total | 38,542,936.65 | -27,817,822.71 | -- | -- | 10,725,113.94 |

30. Surplus reserves

| Item | B/f | Current year increase | Current year decrease | C/f |
|----------------------------|--------------------------|-------------------------|-----------------------|--------------------------|
| Statutory Surplus reserves | 10,036,364,254.30 | 1,711,826,414.72 | -- | 11,748,190,669.02 |
| Total | 10,036,364,254.30 | 1,711,826,414.72 | -- | 11,748,190,669.02 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

31. General risk reserve

| Item | B/f | Current year increase | Current year decrease | C/f |
|----------------------|-------------------|-----------------------|-----------------------|-------------------|
| General risk reserve | 24,000,000,000.00 | -- | -- | 24,000,000,000.00 |

32. Retained earnings

| Item | Current year | Prior year | The rate of Appropriation |
|---|-------------------|-------------------|---------------------------|
| Pre-adjustment balance brought forward | 27,413,480,537.82 | 12,827,038,496.64 | -- |
| Total adjustment to retained earnings b/f (+, -) | -- | -- | -- |
| Retained earnings b/f after adjustment | 27,413,480,537.82 | 12,827,038,496.64 | -- |
| Add: Net profit attributable to owner of the parent | 17,118,264,147.22 | 16,207,157,823.54 | -- |
| Less: Allocation to statutory surplus reserves | 1,711,826,414.72 | 1,620,715,782.36 | 10% of net profit |
| Allocation to discretionary surplus reserves | -- | -- | -- |
| Transfer to paid-in capital | -- | -- | -- |
| Balance carrying forward | 42,819,918,270.32 | 27,413,480,537.82 | -- |

33. Net interest income

| Item | Current year | Prior year |
|--|---------------------------|---------------------------|
| Interest income | 214,252,995,293.87 | 187,224,306,038.94 |
| Due from banks | 6,424,116,784.43 | 7,116,816,821.83 |
| Deposits with central bank | 2,513,372,730.73 | 2,304,547,417.41 |
| Placements with banks and other financial institutions | 2,375,780,452.13 | 1,695,540,053.19 |
| Loans and advances | 191,568,162,447.23 | 169,790,796,205.82 |
| Financial assets held under resale agreements | 9,985,574,271.98 | 5,071,099,573.22 |
| Other interest income | 1,385,988,607.37 | 1,245,505,967.47 |
| Interest expenses | 159,945,942,373.17 | 139,405,595,873.32 |
| Deposits from banks | 552,504,953.38 | 1,459,754,827.89 |
| Deposits from central bank | 9,175,200,000.00 | 8,959,680,000.00 |
| Customer deposits and Debt securities issued | 150,218,134,471.51 | 128,980,317,044.08 |
| Other interest expenses | 102,948.28 | 5,844,001.35 |
| Net interest income | 54,307,052,920.70 | 47,818,710,165.62 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

34. Net income from fees and commissions

| Item | Current year | Prior year |
|--------------------------------------|-----------------------|-----------------------|
| Fee and commission income: | 401,677,209.13 | 976,926,301.25 |
| Settlement and clearing fee income | 63,368,328.00 | 69,769,739.84 |
| Agency service fee income | 92,586,695.16 | 106,376,738.00 |
| Other | 245,722,185.97 | 800,779,823.41 |
| Fee and commission expense: | 319,048,631.70 | 265,338,480.06 |
| Service fee expense | 319,048,631.70 | 265,338,480.06 |
| Net fee and commission income | 82,628,577.43 | 711,587,821.19 |

35. Investment income/ (loss)

| Item | Current year | Prior year |
|---|--------------------------|--------------------------|
| Income from financial assets measured by fair value with changes in fair value recognized in profit or loss | -- | -- |
| Income from disposal of financial assets measured by fair value with changes in fair value recognized in profit or loss | 1,279,578.08 | 9,990,897.08 |
| Income from holding of financial assets available for sale | 6,442,004,911.16 | 4,147,935,463.53 |
| Income from disposal of financial assets available for sale | 2,984,741,247.97 | 1,451,602,953.41 |
| Income from long-term equity investments measured by equity method | -12,842,056.36 | 10,156,047.59 |
| Income from the holding financial assets classified as receivables | 12,801,820,194.42 | 7,038,839,249.06 |
| Total | 22,217,003,875.27 | 12,658,524,610.67 |

36. Gain/ (loss) from change of fair value

| Source | Current year | Prior year |
|--|-------------------|---------------------|
| Derivative financial liabilities | 2,944,565.78 | 2,807,109.89 |
| Financial assets held for trading | 23,599,241.29 | 11,917,116.64 |
| Financial liabilities held for trading | -26,418,708.29 | -8,045,205.48 |
| Total | 125,098.78 | 6,679,021.05 |

Note: The Bank settled forward foreign exchange contract on behalf of customers. Income from change of fair value in 2017 amounts to CNY 2,944,565.78.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

37. Other operating income and Costs of other businesses

(1) Other operating income

| Item | Current year | Prior year |
|---------------------------|--------------------------|-------------------------|
| Income from bond discount | 11,965,000,000.00 | 9,840,000,000.00 |
| Leasing income | 40,706,640.44 | 38,862,525.07 |
| Others | 903,885,001.03 | 2,124,398.27 |
| Total | 12,909,591,641.47 | 9,880,986,923.34 |

(2) Costs of other businesses

| Item | Current year | Prior year |
|-----------------------------------|-----------------------|-----------------------|
| Custody fee of pledged assets | 16,074,700.81 | 5,023,750.05 |
| Cost of deposit insurance premium | 265,886,431.73 | 151,146,245.78 |
| Others | 50,327,851.58 | 2,203,758.55 |
| Total | 332,288,984.12 | 158,373,754.38 |

38. Taxes and surcharges

| Item | Current year | Prior year |
|--|-----------------------|-------------------------|
| Urban maintenance and construction tax | 393,116,664.28 | 347,497,944.12 |
| Education surcharge | 279,744,591.55 | 247,171,844.80 |
| Others | 282,561,245.34 | 1,797,409,587.33 |
| Total | 955,422,501.17 | 2,392,079,376.25 |

39. Overhead expenses

| Item | Current year | Prior year |
|--|--------------------------|--------------------------|
| Staff costs | 16,551,056,606.82 | 14,399,741,580.90 |
| Depreciation and amortization | 1,410,433,320.78 | 1,348,947,611.20 |
| Expenses of running electronic equipment | 530,662,788.23 | 478,706,673.61 |
| Security defense fee | 354,447,653.42 | 314,672,697.49 |
| Others | 4,508,343,261.43 | 4,862,206,795.55 |
| Total | 23,354,943,630.68 | 21,404,275,358.75 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

40. Impairment of assets (with "-" for reversal amount)

| Source | Current year | Prior year |
|---|--------------------------|--------------------------|
| Due from banks and other financial institutions | -445,973.13 | 2,010,407.63 |
| Loans to customers | 41,309,979,032.22 | 24,915,233,216.02 |
| Loan-offsetting assets | 182,991,947.29 | -245,597.50 |
| Held-to-maturity investments | 5,973,018,000.00 | 3,390,990,000.00 |
| Fixed assets | 5,073.63 | 55,340.83 |
| Construction in progress | -- | 631,139.07 |
| Intangible assets | -- | -- |
| Other receivables | 20,047,057.83 | 27,836,800.59 |
| Others | -- | 483,380.07 |
| Total | 47,485,595,137.84 | 28,336,994,686.71 |

41. Non-operating income

| Item | Current year | Prior year |
|--|-----------------------|-----------------------|
| Government subsidies | 48,441,740.14 | 706,272,264.06 |
| Gain from disposal of fixed assets | 83,829,059.54 | 40,187,054.96 |
| Gain from disposal of Loan-offsetting assets | 12,017,803.58 | 65,444.09 |
| Income from disposal of intangible assets | 212,887.78 | 2,857,950.31 |
| Others | 58,761,467.12 | 73,604,454.05 |
| Total | 203,262,958.16 | 822,987,167.47 |

42. Non-operating expenses

| Item | Current year | Prior year |
|--|-----------------------|-----------------------|
| Donations | 29,509,534.49 | 24,144,800.00 |
| Losses from disposal of fixed assets | 12,777,828.54 | 20,455,508.02 |
| Losses from disposal of Loan-offsetting assets | 2,956,671.14 | 1,228,603.75 |
| Others | 305,233,250.11 | 255,772,932.98 |
| Total | 350,477,284.28 | 301,601,844.75 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

43. Income tax expenses

(1) Income tax expenses

| Item | Current year | Prior year |
|----------------------------|-----------------------|-------------------------|
| Current income tax expense | 9,017,446,242.42 | 10,103,563,959.70 |
| Deferred tax | -8,834,519,565.78 | -6,931,785,867.43 |
| Total | 182,926,676.64 | 3,171,778,092.27 |

(2) Reconciliation of account profit and income tax expenses:

| Item | Current year | Prior year |
|---|-------------------|-------------------|
| Profit before tax | 17,301,190,823.86 | 19,378,935,915.81 |
| Income tax computed in accordance with the applicable tax rate (Profit before tax *25%) | 4,325,297,705.97 | 4,844,733,978.95 |
| Adjustment to income tax expense from prior year | -760,094,683.59 | -- |
| Tax effect of net profit from investment in joint venture measured by equity method | 3,210,514.09 | -2,539,011.90 |
| Tax effect of non-taxable income | -3,420,245,039.75 | -1,809,103,744.53 |
| Tax effect of items not deductible for tax purpose | 34,758,179.92 | 138,686,869.75 |
| Others | -- | -- |
| Income tax expenses | 182,926,676.64 | 3,171,778,092.27 |

44. Notes to the consolidated statement of cash flows

(1) Other cash receipts relating to operating activities

| Item | Current year | Prior year |
|---|-------------------------|--------------------------|
| Cash received from other operating income | 944,591,641.47 | 40,986,923.34 |
| Cash received from non-operating income | 119,221,010.84 | 779,942,162.20 |
| Cash received from operating balance | 1,485,084,691.22 | 44,468,258,708.89 |
| Total | 2,548,897,343.53 | 45,289,187,794.43 |

(2) Other cash payments relating to operating activities

| Item | Current year | Prior year |
|--|--------------------------|--------------------------|
| Cash payments for non-operating expenses | 337,699,455.74 | 281,146,336.73 |
| Cash payments for operating balance | 38,018,996,105.61 | 30,198,379,651.48 |
| Cash payments for operating expenses | 5,743,093,003.47 | 5,522,086,076.65 |
| Total | 44,099,788,564.82 | 36,001,612,064.86 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

(3) Other Cash received in relation to investing activities

| Item | Current year | Prior year |
|---|-----------------------|-----------------------|
| Net cash receipts for disposal of fixed and intangible assets | 168,285,443.76 | 114,554,092.17 |
| Total | 168,285,443.76 | 114,554,092.17 |

45. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the statement of cash flows

| Item | Current year | Prior year |
|---|---------------------|---------------------|
| 1. Reconciliation of cash flows from operating activities to net profit: | | |
| Net profit | 17,118,264,147.22 | 16,207,157,823.54 |
| Add: Loss on asset impairment | 47,485,595,137.84 | 28,336,994,686.71 |
| Depreciation of fixed assets | 1,244,503,058.39 | 1,207,882,756.22 |
| Amortization of intangible assets | 86,502,174.72 | 79,901,654.74 |
| Amortization of Long-term deferred expenditure | 79,428,087.67 | 61,163,200.24 |
| Loss on non-current assets disposal (gain presented by "-" prefix) | -71,264,118.78 | -22,589,497.25 |
| Loss on fair value changes (gain presented by "-" prefix) | -125,098.78 | -6,679,021.05 |
| Investment loss (gain presented by "-" prefix) | -22,217,003,875.27 | -12,658,524,610.67 |
| Decrease of deferred income tax assets (increase presented by "-" prefix) | -8,825,724,259.13 | -6,933,455,622.69 |
| Increase of deferred income tax liabilities (increase presented by "-" prefix) | -8,795,306.65 | 1,669,755.26 |
| Decrease of operating receivables (increase presented by "-" prefix) | -654,939,663,479.14 | -928,969,534,692.78 |
| Increase of operating payables (decrease presented by "-" prefix) | 276,286,848,048.84 | 866,400,087,196.30 |
| Others | -- | -- |
| Net cash flows generated from operating activities | -343,761,435,483.07 | -36,295,926,371.43 |
| 2. Movement of cash and cash equivalents: | | |
| Cash as at 31/12/2017 | 70,440,783,516.67 | 78,036,892,374.18 |
| Less: Cash as at 31/12/2016 | 78,036,892,374.18 | 105,366,616,561.71 |
| Add: Cash equivalents as at 31/12/2017 | -- | -- |
| Less: Cash equivalents as at 31/12/2016 | -- | -- |
| Net increase of cash and cash equivalents | -7,596,108,857.51 | -27,329,724,187.53 |

(2) Composition of cash and cash equivalents

| Item | C/f | B/f |
|--|-------------------|-------------------|
| Cash | 70,440,783,516.67 | 78,036,892,374.18 |
| Including: Cash on hand | 62,765,610.23 | 128,968,685.02 |
| Demand bank deposit | 31,631,634,691.37 | 6,747,440,626.02 |
| Demand other monetary funds | -- | -- |
| Demand deposit at the Central Bank | 38,746,383,215.07 | 71,160,483,063.14 |
| Cash and cash equivalents as at 31/12/2016 | 70,440,783,516.67 | 78,036,892,374.18 |

46. Transfer of Financial Assets

Asset Securitization

In the business of asset securitization, the Bank entrusts some credit assets to the trust company and established special purpose trust. The trust company issues asset-backed securities (hereinafter, "ABS") to investors based on the cash flow generated from the credit assets. As the credit service institute, the Bank charges a certain amount of service fee, and holds some subprime tranches of ABS, therefore retaining some of the risks and rewards of the transferred credit assets. At the end of the period, the bank derecognized relevant credit assets, and recognized the financial assets and liabilities to the extent of its continuing involvement in the financial asset.

As at December 31, 2017, the bank has derecognized relevant credit assets. As at December 31, 2017, the share in the above-mentioned ABS held by the Bank amounted to CNY 0.300 billion (December 31, 2016: CNY 0.367 billion), the maximum loss exposure of the special purpose trust which is not included in the scope of consolidation is the tranches of asset backed securities issued by the specific purpose trust held by the Bank and the service charge fee of the credit service institution.

47. The structured entity invested by the Bank that is not included in the scope of consolidation

As at December 31, 2016, the structured entity invested by the Bank that is not included in the scope of consolidation mainly comprises asset-backed securities.

The table below demonstrates the book value, the maximum loss exposure and the size of the assets arising from investing structured entity that is not included in the scope of consolidation

| C/f | Book value | Maximum loss exposure |
|-------------------------|----------------|-----------------------|
| Asset-backed securities | 300,495,872.25 | 300,495,872.25 |
| B/f | Book value | Maximum loss exposure |
| Asset-backed securities | 366,592,500.00 | 366,592,500.00 |

48. Assets with restriction on ownership or usage

(1) Pledged credit assets

As at December 31, 2017, the Bank has borrowed the PSL fund amounting to CNY 39.22 billion, which is pledged by the medium and long term loans for rural infrastructure construction which will be due after June 28, 2019, and the pledge procedures have been completed, The pledge involves a total number of 2,997 loans amounting to CNY 40.6309 billion.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

On October 16, 2015, the Bank signed the Master Agreement for Pledged Supplementary Lending with the PBOC, which stipulating that the Bank will borrow the pledged supplementary Lending (hereinafter, "PSL") fund to issue specific loans. The PSL is guaranteed by the overall credit of the Bank as well as certain amount of collaterals approved by the PBOC.

(2) Assets with pending ownership certification

| Items | Quantity as at December 31, 2017 | Quantity as at December 31, 2016 |
|----------------|----------------------------------|----------------------------------|
| Buildings | 1440 | 1494 |
| Land use right | 24 | 31 |
| Total | 1464 | 1525 |

Note: Due to historical and other reasons, as at 31 December 2017, the total of number of assets with pending ownership certification was 1,464, of which 57 items had zero original value, and the remaining 1407 items had a total original value of 2.1 billion; Buildings mainly include accessory buildings, accommodation and operating buildings.

49. Foreign currency monetary items

| Item | Original amount as at 31/12/2017 | Exchange rate | Translated amount as at 31/12/2017 |
|--------------------------------------|----------------------------------|---------------|------------------------------------|
| bank deposits and balances with PBOC | -- | -- | 41,718,553.89 |
| Including: -USD | 6,290,000.00 | 6.5342 | 41,100,118.00 |
| -HKD | 740,000.00 | 0.83591 | 618,435.89 |
| Due from banks | -- | -- | 344,931,628.12 |
| Including: -USD | 39,471,015.40 | 6.5342 | 257,911,508.83 |
| -EUR | 1,190,650.51 | 7.8023 | 9,290,036.55 |
| -HKD | 80,571,461.11 | 0.83591 | 67,335,518.29 |
| -GBP | 921,537.70 | 8.7792 | 8,090,503.01 |
| -JPY | 39,807,597.00 | 0.057883 | 2,304,061.44 |
| Other accounts receivable | -- | -- | 98,080,834.08 |
| Including: -USD | 15,010,381.39 | 6.5342 | 98,080,834.08 |
| Other payables | -- | -- | 286,950,847.58 |
| Including: -USD | 40,057,851.89 | 6.5342 | 261,746,015.82 |
| -EUR | 14,974.04 | 7.8023 | 116,834.76 |
| -HKD | 30,019,470.03 | 0.83591 | 25,087,997.00 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | Original amount as at 31/12/2017 | Exchange rate | Translated amount as at 31/12/2017 |
|---|-------------------------------------|------------------|---------------------------------------|
| bank deposits and balances with PBOC | -- | -- | 46,275,266.97 |
| Including: -USD | 6,645,000.00 | 6.9370 | 46,096,365.00 |
| -HKD | 200,000.00 | 0.89451 | 178,901.97 |
| Due from banks | -- | -- | 966,617,171.19 |
| Including: -USD | 114,146,136.33 | 6.9370 | 791,831,747.72 |
| -EUR | 3,132,320.41 | 7.3068 | 22,887,057.43 |
| -HKD | 125,849,376.34 | 0.89451 | 112,531,907.24 |
| -GBP | 1,545,472.55 | 8.5094 | 13,151,380.90 |
| -JPY | 439,932,751.00 | 0.059591 | 26,215,077.90 |
| Other accounts receivable | -- | -- | 567,105.51 |
| Including: -USD | 21,860.61 | 6.9370 | 151,647.05 |
| -EUR | 56,859.60 | 7.3068 | 415,458.46 |
| Other payables | -- | -- | 318,782,837.09 |
| Including: -USD | 37,329,610.96 | 6.9370 | 258,955,511.23 |
| -EUR | 2,056,859.64 | 7.3068 | 15,028,942.93 |
| -HKD | 50,100,000.03 | 0.89451 | 44,798,382.93 |

Note VI The equity in other main entities

1. The equity in subsidiaries

| Subsidiaries | Place of operation | Place of registration | Nature of business | Holding proportion % | | Acquired method |
|--|-----------------------|-----------------------------|---|----------------------|------------|--------------------|
| | | | | Directly | Indirectly | |
| China Agriculture Development Key Construction Fund Co., Ltd | Beijing | Beijing | Investment management and consulting | 100.00 | | Incorporation |

2. The equity in associates

(1) Significant associates

| Associates | Place of operation | Place of registration | Nature of business | Holding proportion % | | The accounting treatment of investments in associates |
|---|--------------------|-----------------------|--------------------------------------|----------------------|------------|---|
| | | | | Directly | Indirectly | |
| Associates: | | | | | | |
| China Agricultural Industry Development Fund Co., Ltd | Beijing | Beijing | Investment management and consulting | 25.00 | -- | Equity method |
| Modern seed industry fund development Co., Ltd. | Beijing | Beijing | Investment management and consulting | 33.33 | -- | Equity method |
| Beijing Xiannong Cci Capital Ltd | Beijing | Beijing | Investment management and consulting | 40.00 | -- | Equity method |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

(2) Key financial information of significant associate:

| Item | China Agricultural Industry Development Fund Co., Ltd | | Modern seed industry fund development Co., Ltd. | |
|---|---|-------------------------|---|-------------------------|
| | C/f | B/f | C/f | B/f |
| Current assets | 1,175,269,220.91 | 1,227,429,557.45 | 1,288,401,360.15 | 640,600,802.58 |
| Non-current assets | 2,862,797,474.00 | 2,885,773,026.71 | 1,312,429,792.65 | 1,060,015,054.19 |
| Total assets | 4,038,066,694.91 | 4,113,202,584.16 | 2,600,831,152.80 | 1,700,615,856.77 |
| Current liabilities | -1,830,577.64 | 11,742,091.17 | 1,012,391,523.66 | 4,253,828.21 |
| Non-current liabilities | 377,903.70 | -- | 10,893,462.80 | 38,546,791.35 |
| Total liabilities | -1,452,673.94 | 11,742,091.17 | 1,023,284,986.46 | 42,800,619.56 |
| Net assets | 4,039,519,368.85 | 4,101,460,492.99 | 1,577,546,166.34 | 1,657,815,237.21 |
| Including: | | | | |
| Non-controlling interests | -- | -- | -- | -- |
| Equity attributable to owners of the parent | 4,039,519,368.85 | 4,101,460,492.99 | 1,577,546,166.34 | 1,657,815,237.21 |
| Pro rata share of the net assets calculated | 1,009,879,842.21 | 1,025,365,123.25 | 525,796,137.23 | 552,549,818.55 |
| Carrying amounts | 1,009,879,842.21 | 1,025,365,123.25 | 525,796,137.23 | 552,549,818.55 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

Continued:

| Item | China Agricultural Industry Development Fund Co., Ltd | | Modern seed industry fund development Co., Ltd. | |
|---------------------------------------|--|---------------|--|---------------|
| | Current year | Prior year | Current year | Prior year |
| Operating income | 29,321,083.75 | 71,076,004.83 | 30,507,043.30 | 35,798,803.73 |
| Net profit | -46,640,088.94 | 22,901,343.43 | 3,192,743.44 | 9,453,653.91 |
| Other comprehensive income | -- | -- | -83,461,814.31 | 23,515,100.52 |
| Total comprehensive income | -46,640,088.94 | 22,901,343.43 | -80,269,070.87 | 32,968,754.43 |
| Dividends received from associates | -- | -- | -- | -- |

Note VII Risk management of financial instruments

1. Target and policy of risk management

The Bank mainly undertakes the agricultural policy-oriented financial business stipulated by the state in accordance with the industrial policy of the Chinese government, and acts as the agent for the financial support of agriculture, serving the agricultural and rural economic development. In accordance with the policy goal, the Bank achieves moderate profits while preserving capital instead of pursuing the maximization of profits. The operating activities of the Bank are faced with various financial risks. The Bank identifies, monitors, reports and deals with these financial risks and their combinations in the course of operations. Risk management is vital for the financial industry, and business operation will inevitably bring financial risk. The target of the Bank is to achieve proper balance between risks and rewards, and reduce the negative impact to the financial reports.

The Bank mainly raises funds by issuing financial securities, and the funds are applied to loans to obtain spreads. The Bank strives to reduce the cost of capital to increase profits by issuing different types of bonds in accordance with its own asset and liability management requirement and demand for use.

The risk management policy established by the Bank and related systems are reviewed regularly to reflect the latest changes in the market, product and the best practice of the industry.

The major risks faced by the Bank are credit risk, market risk, operation risk and liquidity risk, among which, market risk includes exchange risk, bank account interest risk and other price risks.

2. Credit risk

Credit risk is the risk of financial losses caused by default of the other party of a contract. The credit risk of the Bank exists mainly in Loan, interbank loan, bond investment, bill acceptance, letter of credit, bank guarantee and other on and off balance sheet activities.

Before credit is granted to individual customers, credit assessments and approvals are conducted by the Bank, and the credit lines granted are reviewed regularly. The methods of credit risk management include obtaining pledges or collaterals and guarantee. For the off-balance sheet credit commitments, cash deposits are collected to reduce credit risk.

① Loans

In accordance with "Guidelines for Classification of Loan Risks" (YinJianFa [2007] No. 54) issued by CBRC, the Bank has established the credit risk classification system to measure and manage the quality of the Bank's credit assets. The bank's five-tier credit risk classification system and the "Guidelines for Classification of Loan Risks" require that the credit assets be classified into the performing, watch-list, substandard, doubtful and loss categories and the last three categories are non-performing loans.

The core definitions of the credit assets in the "Guidelines for Classification of Loan Risks" are:

Performing: the borrower is able to perform the contract, and there is no sufficient reason to suspect the timely and full payment of the principal and interest of a loan.

Watch-list: although the borrower currently has the ability to pay the principal and interest of a loan, there are some factors which may have unfavorable effect on the payment of the loan.

Substandard: the borrower lacks solvency obviously, and the principal and interest of the loan cannot be fully repaid in reliance on the normal income of the borrower. A loss may exist even if the security provided is executed.

Doubtful: the borrower is unable to repay the principal and interest of a loan and significant loss will happen even if the security provided is executed.

Loss: the principal and interest still cannot be recovered, or, only an extremely small part thereof can be recovered after all possible measures or all necessary legal actions have been carried out.

② Bonds and other bills

The Bank manages the credit risk exposure of bonds based on internal rating, and with reference to Standard & Poor's ratings and other similar external ratings. Investment in these bonds is to obtain good credit rating assets and at the same time, maintain sufficient liquidity to satisfy capital demands. The management of financial derivatives' credit risk is incorporated into the unified credit management of customers.

③ Interbank loan

The Bank conducts regular review and management of the credit risk of individual financial institutions. A credit line is set for a single bank or non-bank financial institution that has balances with the Bank.

④ Credit commitment

The main purpose of the Credit commitment is to ensure that customers can obtain required funds. The credit commitments such as letters of guarantee, acceptance bill and letters of credit are irrevocable commitments made by our bank, which means the Bank promises to pay the third party on behalf of the customer when the customer fail to fulfill their obligation to pay for the third party, our bank will act on behalf of customers to fulfill the obligations, the Bank bears the same credit risk as loans. In the event that the credit commitment amount requested by the customer exceeds its original credit limit, the Bank will collect a deposit to reduce the credit risk of providing the service. The amount of potential credit risk faced by the Bank is equal to the total amount of credit commitments.

(1) Loan concentration ratio

Regional concentration ratio: See Note V.7.2 for the regional distribution of loans and advances.

(2) Financial derivatives

The credit risk of financial derivatives depends on whether the counterparty can pay on time according to the terms of the contract, and the fair value if the amount of assets exchanged or the amount of debt repaid.

(3) Risk related to off-balance sheet business

The management of off balance sheet business is incorporated into the unified credit management of customers. For off-balance sheet business such as bank acceptance bills, letters of credit and letters of guarantee, real trade background is required, and the corresponding proportion of margin is collected according to the customers' credit status and business risk level. The rest requires effective guarantee.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

The financing of letters of guarantee and other high risk off-balance sheet businesses are strictly controlled by the Bank.

(4) Credit risk exposure

The credit risk exposure of the Bank involves on and off balance sheet items. Without considering the availability of collateral or other credit enhancement, information on maximum credit risk exposure reflects the worst condition of credit risk exposure on the balance sheet date, among which the amount of the financial assets that best represent the maximum credit risk exposure on the balance sheet date is the book value of the financial assets deducted by the following two items: ① Offset amount in accordance with "Accounting standards for Business Enterprises No. 37 -- presentation of financial instruments"; ② Impairment loss recognized for the financial assets .

As at the balance sheet date, the book value of the Bank's credit asset represents the maximum credit risk exposure. Without considering the availability of collateral or other credit enhancement, the maximum credit risk exposure of the off-balance sheet items is best represented as follows: (currency unit: CNY 10 thousand)

| Off-Balance Items | C/f | B/f |
|----------------------------------|-------------------|---------------------|
| Issuance of Letters of Credit | 236,844.37 | 339,677.55 |
| Issuance of Letters of Guarantee | 40,853.18 | 40,003.73 |
| Bank's acceptance bill | 231,526.71 | 626,675.88 |
| Total | 509,224.26 | 1,006,357.16 |

The maximum credit risk exposure of financial assets measured at fair value as shown in the above table represents the current maximum credit risk exposure, not the maximum credit risk exposure after future fair value movement.

(5) Collateral or other credit enhancement

The credit risk is reduced through a series of credit enhancement measures. The bank normally requires the borrowers to pay cash deposits, provide pledge/collateral or guarantee in order to reduce the credit risk exposure to an acceptable level.

The pledges and collaterals accepted by the Bank mainly include rights and business assets such as charging rights, real estate, land use rights, equity securities, cash, deposits, machinery and equipment and so on.

As at the balance sheet date, the Bank's collateral are as follows: (currency unit: CNY 10 thousand)

| Items | C/f | B/f |
|--|----------------|----------------|
| Collateralized loan credit risk exposure | 138,870,084.28 | 122,528,995.23 |
| Collateral value | 547,427,475.77 | 488,947,876.31 |

Note: The value of collateral in the above table is limited to the credit risk exposure of each financial asset guaranteed.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

(6) Credit quality information for financial assets

A. Credit quality information on financial assets with credit risks (currency unit: CNY)

| Item | C/f | | |
|---|--|--|--|
| | Financial assets that have not yet been overdue and have not yet been impaired | Financial assets that have been overdue but have not yet been impaired | Financial assets that have been impaired |
| Deposit in the Central Bank | 168,104,791,229.79 | -- | -- |
| Deposit and placement with banks and interbank loans | 274,957,674,818.03 | -- | -- |
| Financial assets valued at fair value through profit and loss | 1,203,866,690.74 | -- | -- |
| Financial derivatives | 2,840,907.67 | -- | -- |
| Financial assets held under resale agreements | 211,903,186,000.00 | -- | -- |
| Interests receivable | 18,830,941,733.12 | -- | -- |
| Loans and advances | 4,610,952,271,107.59 | 7,270,417,389.46 | 37,817,586,235.42 |
| Financial assets held for sale | -- | -- | -- |
| Held to maturity investments | 532,910,743,008.02 | -- | -- |
| Other Assets | 429,604,051,251.51 | -- | -- |
| Total | 6,248,470,366,746.47 | 7,270,417,389.46 | 37,817,586,235.42 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | B/f | | |
|---|--|--|--|
| | Financial assets that have not yet been overdue and have not yet been impaired | Financial assets that have been overdue but have not yet been impaired | Financial assets that have been impaired |
| Deposit in the Central Bank | 184,063,761,445.17 | -- | -- |
| Deposit and placement with banks and interbank loans | 364,019,578,767.27 | -- | -- |
| Financial assets valued at fair value through profit and loss | 622,507,467.55 | -- | -- |
| Financial derivatives | -- | -- | -- |
| Financial assets held under resale agreements | 177,315,513,000.00 | -- | -- |
| Interests receivable | 13,944,858,250.59 | -- | -- |
| Loans and advances | 4,056,230,725,502.95 | 2,419,862,346.18 | 35,981,639,156.49 |
| Financial assets held for sale | -- | -- | -- |
| Held to maturity investments | 534,981,995,721.07 | -- | -- |
| Other Assets | 311,505,772,585.14 | -- | -- |
| Total | 5,642,684,712,739.74 | 2,419,862,346.18 | 35,981,639,156.49 |

Note: Sufficient impairment allowance is provided for impaired loans. Loans that have been overdue but not yet been short term capital shortage. There is no objective evidence of impairment; therefore, such loans were not classified as impaired assets refer to financial assets whose principal or interest is overdue for 1 day or more.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

B. Analysis of the overdue but not yet been impaired financial assets (currency unit: CNY)

| Item | C/f | | | | Total |
|--------------|-------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| | Overdue within 1 month | Overdue between 1-2 month | Overdue between 2-3 month | Overdue over 3 month | |
| Loans | 2,515,961,792.83 | 1,333,064,173.39 | 1,852,539,732.17 | 1,568,851,691.07 | 7,270,417,389.46 |
| Total | 2,515,961,792.83 | 1,333,064,173.39 | 1,852,539,732.17 | 1,568,851,691.07 | 7,270,417,389.46 |

| Item | B/f | | | | Total |
|--------------|------------------------|---------------------------|---------------------------|-----------------------|-------------------------|
| | Overdue within 1 month | Overdue between 1-2 month | Overdue between 2-3 month | Overdue over 3 month | |
| Loans | 883,470,559.55 | 472,781,731.36 | 711,110,055.27 | 352,500,000.00 | 2,419,862,346.18 |
| Total | 883,470,559.55 | 472,781,731.36 | 711,110,055.27 | 352,500,000.00 | 2,419,862,346.18 |

C. Financial assets with the terms of the contract renegotiated (currency unit: CNY)

The book value of overdue or impaired financial assets with the terms of the contract renegotiated:

| Item | C/f | B/f |
|--------------------|-------------------|-------------------|
| Loans and advances | 45,088,003,624.88 | 38,401,501,502.67 |

3. Liquidity Risk

Liquidity risk refers to the risk of a shortage of funds when the Bank fulfills its obligations to settle cash or other financial assets. Where there is an imbalance in the total amount of assets and liabilities or an imbalance in the maturity structure, meanwhile the bank's liquidity reserve is insufficient, and the required funds cannot be financed in a timely manner at a reasonable cost, there is not enough cash to pay to the customer, and as a result, liquidity risk arises. Run risk may arise in serious situation. The unfavorable factors that may affect the liquidity of the Bank include: substantial increase in credit demand, substantial performance of loan commitments, substantial reduction in deposits, and difficulty in recovering loan maturities. In addition, the PBOC's adjustment of the deposit reserve ratio, sharp changes in domestic or foreign interest rates, and difficulties in financing the money market may also adversely affect the liquidity of the Bank.

According to the overall financial and debt situation, various proportions (including but not limited to liquidity ratio and liquidity coverage) are set to monitor and manage liquidity risk; the Bank establishes an emergency warning system preliminary for liquidity risk and timely Senior management reports on the latest developments in liquidity risk. The Bank has the ability to guarantee the demand for debt due and asset business growth.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

Analysis of the maturity of undiscounted remaining contractual cash flows of the financial assets and liabilities held by the Bank
(Unit: CNY 10 thousand):

| Item | Due Immediately | Within 1 Month | 1-3 Months | 3 Months to 1 year |
|--|---------------------|----------------------|----------------------|-----------------------|
| Assets | | | | |
| Cash and balances at the central bank | 7,044,078.35 | -- | -- | -- |
| Due from banks and other financial institutions | 448,425.48 | 8,000,000.00 | 10,650,000.00 | -- |
| Placements with banks and other financial institutions | 65,342.00 | 8,332,000.00 | -- | -- |
| Financial assets at fair value through profit and loss | 120,386.67 | -- | -- | -- |
| Derivative financial assets | 284.09 | -- | -- | -- |
| Financial assets purchased under resale agreements | -- | 19,676,621.20 | 1,513,697.40 | -- |
| Interest receivable | 1,883,094.17 | -- | -- | -- |
| Loans and advances | -- | 18,799,767.76 | 19,408,311.83 | 177,395,644.54 |
| Available-for-sale financial assets | -- | -- | -- | -- |
| Held-to-maturity investments | -- | 4,882,730.46 | 4,362,932.47 | -- |
| Financial assets classified as receivables | 30,049.58 | -- | -- | 1,328,925.00 |
| Total financial assets | 9,591,660.34 | 59,691,119.42 | 35,934,941.70 | 178,724,569.54 |
| Liabilities | | | | |
| Borrowing from the central bank | -- | -- | 10,140,000.00 | 59,280,000.00 |
| Deposits by banks and other financial institutions | 26,343.62 | 158,465.25 | 293,867.72 | 912,779.59 |
| Placements from other banks and financial institutions | -- | -- | -- | -- |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | Due Immediately | Within 1 Month | 1-3 Months | 3 Months to 1 year |
|---|------------------------|----------------------|----------------------|-----------------------|
| Derivative financial liabilities | -- | -- | -- | -- |
| Financial assets sold under repurchase agreements | -- | -- | -- | -- |
| Deposits received | 120,817,123.23 | 18,196,323.70 | 1,373,141.43 | 3,426,013.29 |
| Interest payable | 9,266,412.93 | -- | -- | -- |
| Bonds payable | -- | 11,032,144.00 | 8,498,579.55 | 48,750,456.35 |
| Financial liabilities at fair value through profit and loss | 120,281.42 | -- | -- | -- |
| Total financial liabilities and contingent liabilities | 130,230,161.20 | 29,386,932.95 | 20,305,588.70 | 112,369,249.23 |
| Net amount of on-balance sheet liquidity | -120,638,500.86 | 30,304,186.47 | 15,629,353.00 | 66,355,320.31 |

Analysis of the maturity of undiscounted remaining contractual cash flows of the financial assets and liabilities held by the Bank (Unit: CNY 10 thousand):

| Item | Due Immediately | 1 Month | 1-3 Months | 3months to 1 year |
|--|-----------------|---------------|---------------|-------------------|
| Assets | | | | |
| Cash and balances at the central bank | 7,803,689.24 | -- | -- | -- |
| Due from banks and other financial institutions | 340,650.88 | 17,980,000.00 | 11,760,000.00 | -- |
| Placements with banks and other financial institutions | 270,000.00 | 5,975,000.00 | 55,496.00 | 20,811.00 |
| Financial assets at fair value through profit and loss | 62,250.75 | -- | -- | -- |
| Derivative financial assets | -- | -- | -- | -- |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | Due Immediately | 1 Month | 1-3 Months | 3months to 1 year |
|---|------------------------|----------------------|----------------------|-----------------------|
| Financial assets purchased under resale agreements | -- | 17,482,426.30 | 249,125.00 | -- |
| Interest receivable | 1,394,485.83 | -- | -- | -- |
| Loans and advances | -- | 9,686,051.11 | 5,493,394.67 | 174,726,240.16 |
| Available-for-sale financial assets | -- | -- | -- | -- |
| Held-to-maturity investments | -- | 1,188,818.20 | 6,594,070.46 | 2,532.00 |
| Financial assets classified as receivables | 36,659.25 | -- | -- | -- |
| Total financial assets | 9,907,735.95 | 52,312,295.61 | 24,152,086.13 | 174,749,583.16 |
| Liabilities | | | | |
| Borrowing from the central bank | -- | 2,460,000.00 | 5,300,000.00 | 48,440,000.00 |
| Deposits by banks and other financial institutions | 96,128.38 | 1,243,316.42 | 872,869.10 | 269,695.56 |
| Placements from other banks and financial institutions | -- | 2,192.02 | -- | -- |
| Derivative financial liabilities | 60,804.52 | -- | -- | -- |
| Financial assets sold under repurchase agreements | 10.37 | -- | -- | -- |
| Deposits received | -- | -- | -- | -- |
| Interest payable | 117,403,779.49 | 16,598,921.72 | 2,147,726.23 | 5,213,450.73 |
| Bonds payable | 8,014,513.33 | -- | -- | -- |
| Financial liabilities at fair value through profit and loss | -- | 7,271,227.36 | 14,695,787.01 | 38,866,589.40 |
| Total financial liabilities and contingent liabilities | 125,575,236.09 | 27,575,657.52 | 23,016,382.34 | 92,789,735.69 |
| Net amount of on-balance sheet liquidity | -115,667,500.14 | 24,736,638.09 | 1,135,703.79 | 81,959,847.47 |

Since the undiscounted contractual cash flow includes principle and interest, the amount of certain items in the above table may differ from the amounts in the financial statements. The estimated cash flow of these financial instruments by the Bank may differ from the analysis in the above table. For example: current customer deposits are classified as due immediately in the above table, but they are expected to maintain a stable or increasing balance.

Loan Commitment may not be used before its maturity.

Maximum guaranteed amount of the signed guarantee contract does not represent the amount to be paid immediately.

4. Market risk

Market risk is the risk of loss on the Bank's on and off balance sheet business due to the changes in market prices (interest rates, exchange rates, commodity prices, stock prices, and etc.). Market risk exists in the proprietary trading and trading for customers by the Bank.

Foreign exchange rate risk is the risk of loss on the foreign currency denominated assets and liabilities due to the changes in foreign exchange rate and the Bank's foreign exchange exposure. The mismatch between the interest-earning assets and interest-bearing liabilities re-pricing dates is the main cause of foreign exchange rate risk.

(1) Interest rate risk

Interest rate risk is the possibility of loss caused by the uncertainty of market interest rate. It is mainly divided into three categories: gap risk, basis risk and option risk. The basis risk is the key one, which is widespread among bank industry at present. The Bank measures and analyses the effect of change in interest rate on current income and economic value by interest rate sensitive gap. However, with the continuous development of interest rate liberalization, interest rate risks will continue to increase and all assets and liabilities will be faced with interest rate risk due to fluctuations in market interest rates.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

The earlier of the re-pricing date and maturity date for the assets and liabilities as at December 31, 2017: (Unit: CNY)

| Item | Overdue or non-interest bearing | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
|--|------------------------------------|-----------------------|---------------------|---------------------|---------------------|----------------|
| Assets | | | | | | |
| Cash and balances at the central bank | 10,448.42 | 7,037,801.78 | -- | -- | -- | -- |
| Due from banks and other financial institutions | -- | 19,098,425.48 | -- | -- | -- | -- |
| Placements with banks and other financial institutions | -- | 8,397,342.00 | -- | -- | -- | -- |
| Financial assets at fair value through profit and loss | -- | 120,386.67 | -- | -- | -- | -- |
| Derivative financial assets | -- | 284.09 | -- | -- | -- | -- |
| Financial assets purchased under resale agreements | -- | 21,190,318.60 | -- | -- | -- | -- |
| Interest receivable | 1,883,094.17 | -- | -- | -- | -- | -- |
| Loans and advances | 4,176,120.39 | 454,338,778.67 | 402,718.14 | 143,849.49 | 4,947.45 | 20,9 |
| Available-for-sale financial assets | -- | -- | -- | -- | -- | -- |
| Held-to-maturity investments | -- | 9,245,662.93 | -- | -- | -- | -- |
| Financial assets classified as receivables | -- | 1,358,974.58 | 4,104,229.00 | 4,341,188.00 | 7,481,585.00 | 5,660,5 |
| Total assets | 6,069,662.98 | 520,787,974.80 | 4,506,947.14 | 4,485,037.49 | 7,486,532.45 | 5,681,4 |
| Liabilities | | | | | | |
| Borrowing from the central bank | -- | 69,420,000.00 | -- | -- | -- | -- |
| Deposits by banks and other financial institutions | -- | 1,439,799.05 | -- | -- | -- | -- |
| Placements from other banks and financial institutions | -- | -- | -- | -- | -- | -- |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | Overdue or non-interest bearing | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
|---|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Financial liabilities at fair value through profit and loss | -- | 120,281.42 | -- | -- | -- | -- |
| Derivative financial liabilities | -- | -- | -- | -- | -- | -- |
| Financial assets sold under repurchase agreements | -- | -- | -- | -- | -- | -- |
| Deposits received | -- | 144,087,283.08 | 768,280.32 | 399,168.59 | 25,329.99 | 16,700.00 |
| Interest payable | 9,266,412.93 | -- | -- | -- | -- | -- |
| Bonds payable | -- | 86,393,179.90 | 51,831,488.88 | 55,202,357.46 | 37,406,286.72 | 38,646,000.00 |
| Total liabilities | 9,266,412.93 | 301,460,543.45 | 52,599,769.20 | 55,601,526.05 | 37,431,616.71 | 38,662,000.00 |
| Interest rate risk exposure | -3,196,749.95 | 219,327,431.35 | -48,092,822.06 | -51,116,488.56 | -29,945,084.26 | -32,981,000.00 |

The earlier of the re-pricing date and maturity date for the assets and liabilities as at December 31, 2016: (Unit: CNY)

| Account | Due or non-interest bearing | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
|--|-----------------------------|---------------|-----------|-----------|-----------|-----------|
| Assets | | | | | | |
| Cash and balances at the central bank | 17,524.39 | 7,790,792.37 | -- | -- | -- | -- |
| Due from banks and other financial institutions | -- | 30,080,650.88 | -- | -- | -- | -- |
| Placements with banks and other financial institutions | -- | 6,321,307.00 | -- | -- | -- | -- |
| Financial assets at fair value through profit and loss | -- | 62,250.75 | -- | -- | -- | -- |
| Derivative financial assets | -- | -- | -- | -- | -- | -- |
| Financial assets purchased under resale agreements | -- | 17,731,551.30 | -- | -- | -- | -- |
| Interest receivable | 1,394,485.83 | -- | -- | -- | -- | -- |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Account | Due or non-interest bearing | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
|---|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Loans and advances | 3,648,513.00 | 395,013,534.26 | 9,756,483.43 | 221,510.00 | 271,965.00 | 119,000.00 |
| Available-for-sale financial assets | -- | -- | -- | -- | -- | -- |
| Held-to-maturity investments | -- | 7,785,420.65 | -- | -- | -- | -- |
| Financial assets classified as receivables | -- | 36,659.25 | 1,328,925.00 | 4,104,229.00 | 2,755,752.00 | 7,481,500.00 |
| Total Assets | 5,060,523.22 | 464,822,166.46 | 11,085,408.43 | 4,325,739.00 | 3,027,717.00 | 7,600,000.00 |
| Liabilities | | | | | | |
| Borrowing from the central bank | -- | 56,200,000.00 | -- | -- | -- | -- |
| Deposits by banks and other financial institutions | -- | 2,532,551.46 | -- | -- | -- | -- |
| Placements from other banks and financial institutions | -- | 2,192.02 | -- | -- | -- | -- |
| Financial liabilities at fair value through profit and loss | -- | 60,804.52 | -- | -- | -- | -- |
| Derivative financial liabilities | -- | 10.37 | -- | -- | -- | -- |
| Financial assets sold under repurchase agreements | -- | -- | -- | -- | -- | -- |
| Deposits received | -- | 141,679,565.52 | 555,533.12 | 664,274.42 | 15,730.00 | 3,400,000.00 |
| Interest payable | 8,014,513.33 | -- | -- | -- | -- | -- |
| Bonds payable | -- | 81,445,603.76 | 41,603,276.09 | 50,177,093.66 | 34,798,597.06 | 36,255,000.00 |
| Total liabilities | 8,014,513.33 | 281,920,727.65 | 42,158,809.21 | 50,841,368.08 | 34,814,327.06 | 36,255,000.00 |
| Interest rate risk exposure | -2,953,990.11 | 182,901,438.81 | -31,073,400.78 | -46,515,629.08 | -31,786,610.06 | -28,657,000.00 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

The sensitivity analysis is used by the Bank to measure the possible impact of interest rate changes on net interest income. The sensitivity analysis of net interest income is based on the above analysis of interest rate risk exposures for assets and liabilities, as well as the following three assumptions: (1) Except for demand deposits, all assets and liabilities that are repriced or matured within three months and three months to one year are assumed to be repriced or expired in the relevant period; (2) The demand deposit and central bank deposit reserve ratio remain unchanged; (3) The yield curve moves in parallel with interest rate changes; (4) There are no other changes in the asset and liability portfolio. Based on the above assumptions, the actual changes in the Bank's net profit due to the increase or decrease in interest rates may be different from the results of the sensitivity analysis.

(2) Exchange rate risk

The exchange rate risk of the Bank arises from the risk that the foreign exchange exposure will be subject to the fluctuation of market exchange rates, including foreign exchange exposure arising from the imbalance of currency structure between foreign currency assets and foreign currency liabilities, and off-balance sheet foreign exchange exposure from currency derivative transactions. The impact of exchange rate risk on the Bank's operations is as follows:

A. The bank may possess an open foreign exchange position in the operations that will lead to exchange rate risk.

B. the Bank's major foreign currency is the USD. In order to satisfy the demands of small amount foreign currency exchange other than the USD, the Bank may need to purchase some foreign currency in advance as reserves, which will lead to exchange rate risk.

C. Foreign exchange rate translation risk is faced by the Bank when assets and liabilities denominated in foreign currencies are translated into the functional currency CNY.

For business types involving exchange rate risk, the Bank manages strictly at each stage of development, launch and operation, and develops necessary risk control policies in terms of business authorization, exposure limits and process monitoring. The principle of controlling currency risk for the Bank is to match the assets and liabilities in each currency as much as possible, and to control the currency risk within the limits set by the Bank. The Bank also conducts partial derivative trading to manage the Bank's foreign exchange exposure.

Ending balances of assets and liabilities by currency (Unit: CNY 10 thousand):

| Item | CNY | USD to CNY | HKD to CNY | Other currency to CNY | Total |
|--|----------------|------------|------------|-----------------------------|----------------|
| Assets | | | | | |
| Cash and balances at the central bank | 19,975,747.30 | 4,110.01 | 61.84 | - | 19,979,919.15 |
| Due from banks and other financial institutions | 19,063,775.88 | 25,791.15 | 6,733.55 | 1,968.46 | 19,098,269.04 |
| Placements with banks and other financial institutions | 8,332,000.00 | 65,342.00 | - | - | 8,397,342.00 |
| Financial assets purchased under resale agreements | 21,190,318.60 | - | - | - | 21,190,318.60 |
| Loans and advances | 450,664,765.99 | 51,285.91 | - | - | 450,716,051.90 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | CNY | USD to CNY | HKD to CNY | Other currency to CNY | Total |
|--|-----------------------|-------------------|-----------------|-----------------------|-----------------------|
| Financial assets at fair value through profit and loss | 120,386.67 | - | - | - | 120,386.67 |
| Interest receivable | 1,882,876.62 | 217.55 | - | - | 1,883,094.17 |
| Held-to-maturity financial assets | 52,338,492.50 | - | - | - | 52,338,492.50 |
| Financial assets classified as receivables | 42,696,912.58 | - | - | - | 42,696,912.58 |
| Total Assets | 616,265,276.14 | 146,746.62 | 6,795.39 | 1,968.46 | 616,420,786.61 |
| Liabilities | | | | | |
| Borrowing from the central bank | 69,420,000.00 | - | - | - | 69,420,000.00 |
| Deposits by banks and other financial institutions | 1,439,799.05 | - | - | - | 1,439,799.05 |
| Placements from other banks and financial institutions | - | - | - | - | - |
| Derivative financial liabilities | - | - | - | - | - |
| Financial assets sold under repurchase agreements | - | - | - | - | - |
| Deposits received | 145,213,844.09 | 80,630.62 | 1,183.15 | 577.12 | 145,296,234.98 |
| Bonds payable | 381,313,460.66 | - | - | - | 381,313,460.66 |
| Interest payable | 9,266,412.93 | - | - | - | 9,266,412.93 |
| Total liabilities | 606,653,516.73 | 80,630.62 | 1,183.15 | 577.12 | 606,735,907.62 |
| On-balance sheet net position | 9,611,759.41 | 66,116.00 | 5,612.24 | 1,391.34 | 9,684,878.99 |

Beginning balances of assets and liabilities by currency(Unit: CNY 10 thousand):

| Item | CNY | USD to CNY | HKD to CNY | Other currency to CNY | Total |
|--|---------------|------------|------------|-----------------------|---------------|
| Cash and balances at the central bank | | | | | |
| Due from banks and other financial institutions | 19,089,389.56 | 4,609.64 | 17.88 | -- | 19,094,017.08 |
| Placements with banks and other financial institutions | 29,983,788.12 | 79,183.17 | 11,253.19 | 6,225.36 | 30,080,449.84 |
| Financial assets purchased under resale agreements | 6,245,000.00 | 76,307.00 | -- | -- | 6,321,307.00 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

| Item | CNY | USD to CNY | HKD to CNY | Other currency to CNY | Total |
|--|-----------------------|-------------------|------------------|-----------------------------|-----------------------|
| Loans and advances | 17,731,551.30 | -- | -- | -- | 17,731,551.30 |
| Financial assets at fair value through profit and loss | 398,082,138.77 | 7,613.55 | -- | 2,325.00 | 398,092,077.32 |
| Interest receivable | 62,250.75 | -- | -- | -- | 62,250.75 |
| Held-to-maturity financial assets | 1,394,373.45 | 112.38 | -- | -- | 1,394,485.83 |
| Financial assets classified as receivables | 53,142,919.57 | -- | -- | -- | 53,142,919.57 |
| Total Assets | 30,943,310.25 | -- | -- | -- | 30,943,310.25 |
| Liabilities | 556,674,721.77 | 167,825.74 | 11,271.07 | 8,550.36 | 556,862,368.94 |
| Borrowing from the central bank | | | | | |
| Deposits by banks and other financial institutions | 56,200,000.00 | -- | -- | -- | 56,200,000.00 |
| Placements from other banks and financial institutions | 2,532,551.46 | -- | -- | -- | 2,532,551.46 |
| Derivative financial liabilities | -- | -- | -- | 2,192.02 | 2,192.02 |
| Financial assets sold under repurchase agreements | 10.37 | -- | -- | -- | 10.37 |
| Deposits received | -- | -- | -- | -- | -- |
| Bonds payable | 142,811,763.59 | 105,669.70 | 234.70 | 860.06 | 142,918,528.05 |
| Interest payable | 338,901,114.08 | -- | -- | -- | 338,901,114.08 |
| Total Liabilities | 8,014,495.47 | -- | -- | 17.86 | 8,014,513.33 |
| Cash and balances at the central bank | 548,459,934.97 | 105,669.70 | 234.70 | 3,069.94 | 548,568,909.31 |
| On-balance sheet net position | 8,214,786.80 | 62,156.04 | 11,036.37 | 5,480.42 | 8,293,459.63 |

5. Operation risk

Operation risk is the risk of loss caused by imperfect or problematic internal control, personnel and system, or external events. Major operation risks faced by the Bank include internal fraud, external fraud, customers, products and operating activities, as well as execution, delivery and process management.

In accordance with the operation risk regulation requirements, the Bank promotes self-assessment of operation risk management, conducts in-depth monitoring and inspection of key risks, accelerates the operation of key risk indicator monitoring system and data management system on loss of risk, enhances outsourcing risk management, promotes business continuity management, and ensures safe and stable operations of different business activities.

The Bank strengthens the management of incompatible positions by focusing on inspecting and continuously improving the construction and management of incompatible positions, and enhancing the rigid constraints of segregation of duties.

Moreover, the Bank enhances the reporting management of significant risk and emergencies by standardizing the monitoring, information collection and reporting of significant risk and emergencies to ensure the smooth flow of information reporting channels and improve the ability to deal with problems.

Note VIII Related parties and related party transaction

1. Subsidiaries

See Note VI.1 for details of subsidiaries.

2. Associates

See Note VI.2 for details of subsidiaries.

3. Related party transactions

| Item | Related parties | C/f | | B/f | |
|--|---|----------------|---------------------------------|--------------|---------------------------------|
| | | Gross amount | Allowance for impairment losses | Gross amount | Allowance for impairment losses |
| Other assets -Other accounts receivable | Modern seed industry fund development Co., Ltd. | 500,000,000.00 | -- | -- | -- |

Note: The Bank intends to increase the capital of the Modern seed industry fund development Co., Ltd. by 500 million yuan, which was allocated on December 19, 2017. The details of this event are being negotiated.

Note IX Commitments and contingencies

1. Significant commitments

(1) Credit commitment

The Bank has a commitment to the loan amount at any point in time. According to the opinions of the Bank's management, the Bank does not bear the risk of unused credit lines as the loan amount already signed can be revoked.

The bank provides letters of credit and financial guarantee services, to guarantee for customers in fulfilling contractual obligation with the third party.

Bank acceptance bills refer to the redemption commitments made by the Bank to the bills issued by customers. The bank expects that most of the acceptance bills will be settled at the same time with the client's repayment.

The maximum potential loss amount will be recognized if the counterparty of bank acceptance bill, letter

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

of credit and letter of guarantee defaults. (Currency unit: CNY)

| Item | C/f | B/f |
|--|------------------|------------------|
| Bank acceptance bill | 2,315,267,091.00 | 6,266,758,840.00 |
| Acceptance bill under letter of credit | -- | -- |
| Letter of credit issued | 2,368,443,681.69 | 3,396,775,538.81 |
| Guarantee issued | 408,531,769.00 | 400,037,309.00 |
| —financing guarantee | 408,494,460.00 | 400,000,000.00 |
| —non financing guarantee | 37,309.00 | 37,309.00 |

(2) Capital commitment

| Capital commitments that have been contracted but not recognized in the financial statements. | C/f | B/f |
|---|------------------|------------------|
| Total amount of approved fixed asset investment | 2,902,310,822.39 | 3,252,259,914.88 |
| Total amount of approved and executed fixed asset investment | 333,006,223.58 | 495,912,190.03 |

(3) Operating lease commitments

As at the balance sheet date, the irrevocable operating lease agreement signed by the Bank is as follows:

| Minimum lease payments for irrevocable operating leases | C/f | B/f |
|---|----------------------|----------------------|
| Within 1 year | 18,856,229.94 | 16,596,510.59 |
| 1 to 5 years | 19,507,619.58 | 19,675,847.09 |
| Above 5 years | 2,188,718.51 | 2,309,327.19 |
| Total | 40,552,568.03 | 38,581,684.87 |

(4) Other commitments

As at December 31, 2017, there are no other commitments that are required to be disclosed by the Bank.

2. Contingent liabilities and assets

(1) Since April 2016, private grain purchase and sale enterprises in Baoding, Hebei have been suspected of defrauding of the Bank's loan. In June 2016, the public security organs conducted a case investigation on the involved enterprises with the crime of fraudulent loans. At present, the Bank has recovered most of the loan principal, and the uncollected part has land use rights and real estate as collateral, and asset disposal procedures are in progress.

(2) As at December 31, 2016, there are no other contingent events that are required to be disclosed by

the Bank.

Note X Post balance sheet date events

1. Significant post balance sheet date events

(1) The Bank plans to increase capital holdings for Modern seed industry fund development Co., Ltd. (hereafter "Modern Seed") and Beijing Xiannong Cci Capital Ltd (hereafter "Beijing Xiannong") . After the capital increment, the Bank can control these two companies. They will change to the Bank's subsidiaries from associates. On December 19, 2017, the Bank appropriated 500 million yuan to the Modern Seed for capital increasing. By now, the incremental investment has not been paid to the Beijing Xian Nong and the details have been being negotiated.

(2) As of April 30, 2018, the Bank has issued 77 policy-related financial bonds, amounting to 446.99 billion yuan.

(3) As at April 30, 2018, the incremental amount of the investments in government bonds by the Bank is CNY 12.581 billion.

2. Description of other post balance sheet date events

As at May 15, 2018, there is no other post balance sheet date event that is required to be disclosed by the Bank.

Note XI Notes to significant elements of the parent financial statements

1. Cash and deposits with central bank

| Item | C/f | B/f |
|--|---------------------------|---------------------------|
| Cash and bank deposit | 157,956,883.57 | 227,661,706.31 |
| Statutory reserve with central bank | 129,316,689,460.83 | 112,857,003,181.17 |
| Surplus reserves with central bank | 38,746,383,215.07 | 71,160,483,063.14 |
| Foreign currency deposit reserve with the central bank | 41,718,553.89 | 46,275,200.86 |
| Total | 168,262,748,113.36 | 184,291,423,151.48 |

(1) Statutory reserve with the central bank is the general reserve deposited with the People's Bank of China by the Bank in accordance with the relevant regulations, and such deposits cannot be used for daily operating activities of the Bank. The scope of the deposit reserve includes the deposit of non-profit institutions, extrabudgetary deposit, entities' deposit and other deposit. The mandatory reserve deposit rates of the Bank are as follows:

| Item | C/f | B/f |
|------------------|-------|-------|
| CNY | 8.50% | 8.50% |
| Foreign currency | 5.00% | 5.00% |

(2) Surplus reserves with the central bank is the Surplus reserves deposited with the People's Bank of China by the Bank for fund settlement, financial institution transfer and etc.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

2. Due from banks

| Item | C/f | B/f |
|---|---------------------------|---------------------------|
| Deposits with domestic banks | 190,670,041,612.97 | 299,936,155,273.83 |
| Deposits with other domestic financial institutions | 17,403,718.37 | 35,191,616.72 |
| Deposits with overseas banks | 296,809,486.69 | 835,161,876.72 |
| Subtotal | 190,984,254,818.03 | 300,806,508,767.27 |
| less: Allowance for impairment losses | 1,564,434.50 | 2,010,407.63 |
| Carrying amounts | 190,982,690,383.53 | 300,804,498,359.64 |

3. Placements with banks and other financial institutions

| Item | C/f | B/f |
|---|--------------------------|--------------------------|
| Placements with domestic banks | 55,973,420,000.00 | 43,163,070,000.00 |
| Placements with other domestic financial institutions | 28,000,000,000.00 | 20,050,000,000.00 |
| Placements with overseas banks | | -- |
| Subtotal | 83,973,420,000.00 | 63,213,070,000.00 |
| less: Allowance for impairment losses | - | -- |
| Carrying amounts | 83,973,420,000.00 | 63,213,070,000.00 |

4. Financial assets at fair value through profit or loss

| Item | C/f | B/f |
|--|-------------------------|-----------------------|
| Designated at fair value through profit or loss financial assets | 1,203,866,690.74 | 622,507,467.55 |
| Including: Bank wealth management products | 1,203,866,690.74 | 622,507,467.55 |
| Total | 1,203,866,690.74 | 622,507,467.55 |

5. Derivative financial assets

| Item | C/f (fair value) | B/f (fair value) |
|-----------------------------|---------------------|------------------|
| Derivative financial assets | 2,840,907.67 | -- |
| Total | 2,840,907.67 | -- |

Note: the Bank signed forward contracts with third party payment institutions, and settled forward foreign exchange contract on behalf of customers. The fair value of the derivative financial assets amounted to 2,840,907.67 based on estimation at the year end.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

6. Financial assets held under resale agreements

| Item | C/f | B/f |
|---------------------------------------|---------------------------|---------------------------|
| Debt securities | 211,903,186,000.00 | 177,315,513,000.00 |
| Acceptances | -- | -- |
| Subtotal | 211,903,186,000.00 | 177,315,513,000.00 |
| less: Allowance for impairment losses | -- | -- |
| Carrying amounts | 211,903,186,000.00 | 177,315,513,000.00 |

7. Interests receivable

| Item | C/f | B/f |
|--|--------------------------|--------------------------|
| Interests receivable from loans and advances | 10,507,341,161.16 | 7,928,189,632.79 |
| Interests receivable on bonds | 6,359,995,848.71 | 4,476,585,295.71 |
| Others | 1,961,515,490.53 | 1,537,938,790.41 |
| Carrying amounts | 18,828,852,500.40 | 13,942,713,718.91 |

8. Loans and advances

(1) analysis of loans and advances to category

| Item | C/f | B/f |
|---------------------------------------|-----------------------------|-----------------------------|
| Loans and advances | 4,601,542,553,096.94 | 4,053,324,333,902.11 |
| Discounted bills | 54,497,721,635.53 | 41,307,893,103.51 |
| Subtotal | 4,656,040,274,732.47 | 4,094,632,227,005.62 |
| Less: allowance for impairment losses | 148,879,755,772.96 | 113,711,453,781.22 |
| Carrying amounts | 4,507,160,518,959.51 | 3,980,920,773,224.40 |

(2) Analysis of loans and advances to customers by geographical area

| Item | C/f | | B/f | |
|---------------------------------------|-----------------------------|------------|-----------------------------|------------|
| | Book value | % of total | Book value | % of total |
| Eastern China | 1,342,770,893,765.67 | 28.84 | 1,234,232,455,890.39 | 30.14 |
| Central China | 1,164,896,468,500.38 | 25.02 | 957,930,782,781.12 | 23.39 |
| Western China | 1,276,446,391,734.15 | 27.41 | 1,051,533,768,339.76 | 25.68 |
| Northeastern China | 871,926,520,732.27 | 18.73 | 850,935,219,994.35 | 20.79 |
| Subtotal | 4,656,040,274,732.47 | 100.00 | 4,094,632,227,005.62 | 100.00 |
| Less: Allowance for impairment losses | 148,879,755,772.96 | -- | 113,711,453,781.22 | -- |
| Carrying amounts | 4,507,160,518,959.51 | -- | 3,980,920,773,224.40 | -- |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

(3) Analysis of loans and advances to customers by collateral type

| Item | C/f | B/f |
|---|-----------------------------|-----------------------------|
| Unsecured loans | 2,196,975,592,182.20 | 2,121,217,806,080.29 |
| Guaranteed loans | 1,069,893,009,833.90 | 748,124,468,592.95 |
| Collateralised and other secured loans | 1,389,171,672,716.37 | 1,225,289,952,332.38 |
| Including: Loans secured by property and other immovable assets | 609,295,723,308.49 | 752,090,125,613.68 |
| Other pledged loans | 779,875,949,407.88 | 473,199,826,718.70 |
| Subtotal | 4,656,040,274,732.47 | 4,094,632,227,005.62 |
| Less: Allowance for impairment losses | 148,879,755,772.96 | 113,711,453,781.22 |
| Carrying amounts | 4,507,160,518,959.51 | 3,980,920,773,224.40 |

(4) Reconciliation of allowance for impairment losses on loans and advances

| Item | Current year | Prior year |
|--------------------------------|--------------------|--------------------|
| As at 1 January | 113,711,453,781.22 | 93,838,164,118.01 |
| Impairment losses for the year | 41,309,979,032.22 | 24,915,233,216.02 |
| Reversal | 20,227,484.37 | 32,188,742.40 |
| Write-off and transfer out | 6,161,904,524.85 | 5,074,132,295.21 |
| As at 31 December | 148,879,755,772.96 | 113,711,453,781.22 |

(5) Loan provision rate and provision coverage

| Item | Current year | Prior year |
|---------------------|--------------|------------|
| Loan provision rate | 3.20% | 2.78% |
| Provision coverage | 393.68% | 316.03% |

Loan provision rate equals to loan balance divided by allowance for impairment loss; Provision coverage equals to non-performing loan balance divided by allowance for impairment loss.

(6) the Bank had continuing involvement in the following securitised assets and liabilities due to its holding of loans

| Item | C/f | B/f |
|-----------------|-----------------------|-----------------------|
| Asset: | | |
| Other asset | 300,495,872.25 | 366,592,500.00 |
| Subtotal | 300,495,872.25 | 366,592,500.00 |
| Liability: | | |
| Other liability | 300,495,872.25 | 366,592,500.00 |
| Subtotal | 300,495,872.25 | 366,592,500.00 |

Note: Details of Credit Asset Securitization in V.8.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

9. Held-to-maturity investments

| Item | Gross amount | C/f Allowance for impairment losses | Carrying amounts | Gross amount |
|--------------------------|--------------------------|--|--------------------------|--------------------------|
| Bonds | 5,256,972,017.81 | -- | 5,256,972,017.81 | 3,160,000,000.00 |
| Asset-backed securities | -- | -- | -- | 25,320,000.00 |
| Certificates of deposits | 92,456,629,274.44 | -- | 92,456,629,274.44 | 76,828,886,533.57 |
| Subtotal | 97,713,601,292.25 | -- | 97,713,601,292.25 | 80,014,206,533.57 |

10. Financial assets classified as receivables

| Item | C/f |
|---|---------------------------|
| Self-sustaining part of asset-backed securities | 300,495,872.25 |
| debt securities | 426,668,629,960.00 |
| subtotal | 426,969,125,832.25 |
| Less: Allowance for impairment losses | -- |
| Carrying amounts | 426,969,125,832.25 |

Note: Details of Credit Asset Securitization in V .8.

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

11. Long-term equity investments

| Item | B/f | Currency year movement | | | | | | |
|--|---------------------------|------------------------|----------------------|--|---------------------------------------|-------------------------|------------------------------------|----------------------|
| | | Additional investment | Investment reduction | Investment gains and losses recognized under the equity method | Other comprehensive income adjustment | Other changes in equity | Declared cash dividends or profits | Allowance Recognized |
| ① Investment in associates: | | | | | | | | |
| China Agricultural Industry Development Co., Ltd. Fund | 1,025,365,123.25 | -- | -- | -15,485,281.04 | -- | -- | -- | -- |
| Modern Seed Industry Development Co., Ltd. Fund | 552,549,818.55 | -- | -- | 1,064,141.39 | -27,817,822.71 | -- | -- | -- |
| Beijing Xiannong Cci Capital Ltd | 12,504,737.76 | -- | -- | 1,579,083.29 | -- | -- | 3,200,000.00 | -- |
| Subtotal | 1,590,419,679.56 | -- | -- | -12,842,056.36 | -27,817,822.71 | -- | 3,200,000.00 | -- |
| ②Subsidiaries: | | | | | | | | |
| China Agriculture Development Key Construction Co., Ltd Fund | 458,000,000,000.00 | -- | -- | -- | -- | -- | -- | -- |
| Subtotal | 458,000,000,000.00 | -- | -- | -- | -- | -- | -- | -- |
| Total | 459,590,419,679.56 | -- | -- | -12,842,056.36 | -27,817,822.71 | -- | 3,200,000.00 | -- |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

12. Fixed assets

| Item | Houses and buildings | Transportation equipment | Computers and ancillary equipment | Other machinery and equipment |
|-------------------------------------|----------------------|--------------------------|-----------------------------------|-------------------------------|
| Cost: | | | | |
| 1. Balance as at 31/12/2016 | 15,598,819,575.01 | 1,639,246,892.25 | 2,263,786,764.85 | 3,040,577,663.83 |
| 2. Increased in current year | 1,945,453,220.58 | 18,112,318.49 | 84,297,494.48 | 456,079,425.12 |
| 3. Decreased in current year | 462,121,180.68 | 20,299,124.20 | 150,848,171.14 | 120,419,776.06 |
| 4. Balance as at 31/12/2017 | 17,082,151,614.91 | 1,637,060,086.54 | 2,197,236,088.19 | 3,376,237,312.89 |
| Accumulated Depreciation | | | | |
| 1. Balance as at 31/12/2016 | 5,044,602,065.90 | 1,128,309,508.02 | 1,714,023,499.10 | 1,566,499,332.03 |
| 2. Increased in current year | 500,807,724.25 | 154,527,723.61 | 185,481,290.82 | 403,686,319.71 |
| 3. Decreased in current year | 66,286,452.09 | 9,049,430.85 | 139,392,699.64 | 107,311,337.97 |
| 4. Balance as at 31/12/2017 | 5,479,123,338.06 | 1,273,787,800.78 | 1,760,112,090.28 | 1,862,874,313.77 |
| Impairment allowance | | | | |
| 1. Balance as at 31/12/2016 | 10,754,707.47 | -- | -- | -- |
| 2. Increased in current year | 5,073.63 | -- | -- | -- |
| 3. Decreased in current year | 8,298,767.56 | -- | -- | -- |
| 4. Balance as at 31/12/2017 | 2,461,013.54 | -- | -- | -- |
| Carrying amount | | | | |
| 1. Carrying amount as at 31/12/2017 | 11,600,567,263.31 | 363,272,285.76 | 437,123,997.91 | 1,513,362,999.12 |
| 2. Carrying amount as at 31/12/2016 | 10,543,462,801.64 | 510,937,384.23 | 549,763,265.75 | 1,474,078,331.80 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

13. Due to banks and financial institutions

| Item | C/f | B/f |
|--|--------------------------|--------------------------|
| Due to other domestic banks and financial institutions | 14,397,990,471.70 | 25,325,514,621.28 |
| Total | 14,397,990,471.70 | 25,325,514,621.28 |

14. Placement from interbank borrowing

| Item | C/f | B/f |
|-------------------------------|-----------|----------------------|
| Placement from domestic banks | -- | 21,920,226.30 |
| Placement from foreign banks | -- | -- |
| Total | -- | 21,920,226.30 |

15. Financial liabilities at fair value through profit or loss

| Item | C/f (fair value) | B/f (fair value) |
|--|-------------------------|-----------------------|
| Designated as financial liabilities at fair value through profit or loss | 1,202,814,246.58 | 608,045,205.48 |
| including: wealth management products | 1,202,814,246.58 | 608,045,205.48 |
| Total | 1,202,814,246.58 | 608,045,205.48 |

16. Derivative financial liabilities

| Item | C/f (fair value) | B/f (fair value) |
|----------------------------------|------------------|-------------------|
| Derivative financial liabilities | -- | 103,658.11 |
| Total | -- | 103,658.11 |

17. Deposits received

| Item | C/f | B/f |
|-----------------------------------|-----------------------------|-----------------------------|
| Demand deposits | 1,343,777,100,825.45 | 1,311,317,850,317.49 |
| Time deposits | 93,634,896,372.09 | 96,551,245,158.73 |
| Remittance and Remittance payable | 150,138,830.65 | 2,230,408,676.51 |
| Refundable deposits | 15,400,213,777.76 | 19,085,776,340.02 |
| Total | 1,452,962,349,805.95 | 1,429,185,280,492.75 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

18. Employee benefits payable

| Item | B/f | Current year increase | Current year decrease | C/f |
|------------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Short-term employee benefits | 5,326,851,728.09 | 14,432,289,364.31 | 12,205,611,143.00 | 7,553,529,949.40 |
| Post-employment benefits | 386,447,982.57 | 2,118,767,242.51 | 2,110,796,740.27 | 394,418,484.81 |
| Total | 5,713,299,710.66 | 16,551,056,606.82 | 14,316,407,883.27 | 7,947,948,434.21 |

(1) Short-term employee benefits

| Item | B/f | Current year increase | Current year decrease | C/f |
|--|-------------------------|--------------------------|--------------------------|-------------------------|
| Wages, salaries and subsidies | 5,199,832,946.64 | 11,687,999,992.54 | 9,494,112,886.75 | 7,393,720,052.43 |
| Employee welfare | -- | 781,101,452.39 | 781,101,452.39 | -- |
| Social insurance: | 2,135,680.84 | 470,391,052.90 | 471,500,862.34 | 1,025,871.40 |
| Including: 1. Medical insurance | 2,059,748.23 | 418,416,885.04 | 419,515,584.26 | 961,049.01 |
| 2. Employment injury and Maternity insurance | 26,737.13 | 37,392,216.99 | 37,403,327.21 | 15,626.91 |
| 3. Others | 49,195.48 | 14,581,950.87 | 14,581,950.87 | 49,195.48 |
| Housing provident fund | 10,193,861.19 | 960,578,408.33 | 958,543,322.60 | 12,228,946.92 |
| Labour union fee and employee education fee | 59,808,917.87 | 378,101,712.75 | 369,591,402.77 | 68,319,227.85 |
| Other short-term welfare | 54,880,321.55 | 154,116,745.40 | 130,761,216.15 | 78,235,850.80 |
| Total | 5,326,851,728.09 | 14,432,289,364.31 | 12,205,611,143.00 | 7,553,529,949.40 |

(2) Post-employment benefits

| Item | B/f | Current year increase | Current year decrease | C/f |
|----------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Basic pension | 21,313,191.83 | 1,196,835,690.86 | 1,196,551,675.00 | 21,597,207.69 |
| Unemployment insurance | 764,518.24 | 22,699,396.56 | 22,719,538.69 | 744,376.11 |
| Supplementary retirement benefit | 345,581,791.06 | -- | 1,420,152.55 | 344,161,638.51 |
| Supplementary pensions | 1,105,502.48 | 459,952,127.23 | 455,018,911.77 | 6,038,717.94 |
| Supplementary medical benefits | 17,682,978.96 | 439,280,027.86 | 435,086,462.26 | 21,876,544.56 |
| Total | 386,447,982.57 | 2,118,767,242.51 | 2,110,796,740.27 | 394,418,484.81 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

19. Taxes and fees payable

| Item | B/f | C/f |
|--|-------------------------|-------------------------|
| Corporate income tax | 3,732,141,934.22 | 599,220,094.12 |
| Value-added Tax | 1,482,267,268.63 | 1,277,951,153.23 |
| Urban Construction and Maintenance Tax | 98,954,735.22 | 88,594,634.10 |
| Others | 183,448,341.33 | 114,802,533.40 |
| Total | 5,496,812,279.40 | 2,080,568,414.85 |

20. Interests payable

| Item | B/f | C/f |
|-----------------------------|--------------------------|--------------------------|
| Interest payable on deposit | 1,682,486,859.20 | 1,401,319,032.51 |
| Interest payable on bonds | 90,981,642,461.11 | 78,743,635,709.27 |
| Others | -- | 178,558.38 |
| Total | 92,664,129,320.31 | 80,145,133,300.16 |

21. Bonds payable

| Item | B/f | C/f |
|-------------------------|-----------------------------|-----------------------------|
| Financial bonds payable | 3,813,134,606,622.10 | 3,389,011,140,807.91 |
| Total | 3,813,134,606,622.10 | 3,389,011,140,807.91 |

22. Other liabilities

| Item | B/f | C/f |
|---|-------------------------|-------------------------|
| Promissory note | 1,300.00 | 1,300.00 |
| Other payables | 1,606,425,278.56 | 1,913,947,108.76 |
| Deferred income | 76,509,644.14 | 73,385,975.07 |
| financial liabilities with continuing involvement | 300,495,872.25 | 366,592,500.00 |
| Others | 328,432,491.87 | 349,080,256.95 |
| Total | 2,311,864,586.82 | 2,703,007,140.78 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

Other payables:

| Item | B/f | C/f |
|---|-------------------------|-------------------------|
| Foreign-exchange payment by installment | 286,439,725.40 | 315,991,449.20 |
| Interest payable subsidy | 4,292,732.86 | 43,496,426.18 |
| Interest subsidy payable to purchaser of grains on credit | 63,916,590.75 | 65,017,888.86 |
| Others | 1,251,776,229.55 | 1,489,441,344.52 |
| Total | 1,606,425,278.56 | 1,913,947,108.76 |

23. Net interest income

| Item | Current year | Prior year |
|--|---------------------------|---------------------------|
| Interest income | 214,093,418,693.75 | 187,165,622,191.85 |
| Due from banks | 6,264,540,184.31 | 7,058,132,974.74 |
| Deposits with central bank | 2,513,372,730.73 | 2,304,547,417.41 |
| Placements with banks and other financial institutions | 2,375,780,452.13 | 1,695,540,053.19 |
| Loans and advances | 191,568,162,447.23 | 169,790,796,205.82 |
| Financial assets held under resale agreements | 9,985,574,271.98 | 5,071,099,573.22 |
| Other interest income | 1,385,988,607.37 | 1,245,505,967.47 |
| Interest expenses | 159,945,942,373.17 | 139,405,595,873.32 |
| Deposits from banks | 552,504,953.38 | 1,459,754,827.89 |
| Deposits from central bank | 9,175,200,000.00 | 8,959,680,000.00 |
| Customer deposits and Debt securities issued | 150,218,134,471.51 | 128,980,317,044.08 |
| Other Interest expenses | 102,948.28 | 5,844,001.35 |
| Net interest income | 54,147,476,320.58 | 47,760,026,318.53 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

24. Net income from fees and commissions

| Item | Current year | Prior year |
|--------------------------------------|-----------------------|-----------------------|
| Fee and commission income: | 401,677,209.13 | 976,926,301.25 |
| Settlement and clearing fee income | 63,368,328.00 | 69,769,739.84 |
| Agency service fee income | 92,586,695.16 | 106,376,738.00 |
| Other | 245,722,185.97 | 800,779,823.41 |
| Fee and commission expense: | 319,048,631.70 | 265,338,480.06 |
| Service fee expense | 319,048,631.70 | 265,338,480.06 |
| Net fee and commission income | 82,628,577.43 | 711,587,821.19 |

25. Other operating income and Costs of other businesses

(1) Other operating income

| Item | Current year | Prior year |
|---------------------------|--------------------------|-------------------------|
| Income from bond discount | 11,965,000,000.00 | 9,840,000,000.00 |
| Leasing income | 40,706,640.44 | 38,862,525.07 |
| Others | 903,885,001.03 | 2,124,398.27 |
| Total | 12,909,591,641.47 | 9,880,986,923.34 |

(2) Costs of other businesses

| Item | Current year | Prior year |
|-----------------------------------|-----------------------|-----------------------|
| Custody fee of pledged assets | 16,074,700.81 | 5,023,750.05 |
| Cost of deposit insurance premium | 265,886,431.73 | 151,146,245.78 |
| Others | 50,327,851.58 | 2,203,758.55 |
| Total | 332,288,984.12 | 158,373,754.38 |

26. Taxes and surcharges

| Item | Current year | Prior year |
|--|-----------------------|-------------------------|
| Urban maintenance and construction tax | 375,565,913.95 | 337,261,417.41 |
| Education surcharge | 269,214,141.36 | 241,030,057.92 |
| Others | 275,540,945.23 | 1,765,869,585.71 |
| Total | 920,321,000.54 | 2,344,161,061.04 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA
Notes to the Financial Statements
As at December 31, 2017 (All amounts in CNY unless otherwise stated)

27. Overhead expenses

| Item | Current year | Prior year |
|--|--------------------------|--------------------------|
| Staff costs | 16,551,056,606.82 | 14,399,741,580.90 |
| Depreciation and amortization | 1,410,433,320.78 | 1,348,947,611.20 |
| Expenses of running electronic equipment | 530,662,788.23 | 478,706,673.61 |
| Security defense fee | 354,447,653.42 | 314,672,697.49 |
| Others | 4,508,343,261.43 | 4,728,706,705.55 |
| Total | 23,354,943,630.68 | 21,270,775,268.75 |

28. Impairment of assets (with "-" for reversal amount)

| Source | Current year | Prior year |
|---|--------------------------|--------------------------|
| Due from banks and other financial institutions | -445,973.13 | 2,010,407.63 |
| Loans to customers | 41,309,979,032.22 | 24,915,233,216.02 |
| Loan-offsetting assets | 182,991,947.29 | -245,597.50 |
| Fixed assets | 5,073.63 | 55,340.83 |
| Construction in progress | -- | 631,139.07 |
| Intangible assets | -- | -- |
| Other receivables | 20,047,057.83 | 27,836,800.59 |
| Others | -- | 483,380.07 |
| Total | 41,512,577,137.84 | 24,946,004,686.71 |

AGRICULTURAL DEVELOPMENT BANK OF CHINA

May 15, 2018

BANK

Agricultural Development Bank of China

A2 Yuetanbeijie Street
Xicheng District
Beijing 100045
The People's Republic of China

FISCAL AGENT, REGISTRAR AND TRANSFER AGENT

Bank of Communications Co., Ltd. Hong Kong Branch

20 Pedder Street
Central
Hong Kong

LEGAL ADVISERS

*To the Bank as to English law
and Hong Kong law*

Linklaters
10th Floor, Alexandra House
Chater Road
Hong Kong

*To the Joint Lead Managers as to English law
and Hong Kong law*

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

To the Bank as to PRC law

King & Wood Mallesons
40th Floor, Office Tower A
Beijing Fortune Plaza 7 Dongsanhuan Zhonglu,
Chaoyang District
Beijing 100020, P. R. China

To the Joint Lead Managers as to PRC law

Junhe Law Office
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing, PRC

REPORTING INDEPENDENT AUDITOR

Grant Thornton Certified Public Accountants

5/F Scitech Palace
22 Jianguomen Wai Avenue
Beijing, PRC