NOT FOR DISTRIBUTION INTO THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The securities offering described in the Offering Circular comprises of:

(a) an Institutional Offering (as defined in the Offering Circular) of Renminbi fixed rate bonds due 2020; and

(b) a Retail Offering (as defined in the Offering Circular) of Renminbi fixed rate bonds due 2020.

The Offering Circular being distributed to you in connection with the Institutional Offering (as defined in the Offering Circular) of the securities and you shall be deemed to have acknowledged and agreed to receiving the Offering Circular for such purpose. In particular, the sections entitled "Structure of the Offering", "How to Apply for the Retail Bonds and other information", "Key Facts Statement on the Retail Offering" and "More information about the Retail Bonds and this Offering Circular" on pages 4 to 23 of the Offering Circular are only applicable to investors participating in the retail offering.

Confirmation of your Representation:

In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Bank (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

MIFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular, electronically or otherwise, to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Bank, the Joint Lead Managers, the Agents in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Bank in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers, the Agents nor any person who controls the Joint Lead Managers, the Agents nor any director, officer, employee, representative, agent or adviser of the Joint Lead Managers, the Agents or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

Offering Circular

中国农业发展银行
AGRICULTURAL DEVELOPMENT BANK OF CHINA

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

Offer of
Renminbi Fixed Rate Bonds due 2020

comprising an institutional offering and a retail offering

Institutional Bonds Issue Price	**Determined in accordance with the procedures as set forth in the section entitled "*Structure of the Offering*"**
Retail Bonds Issue Price	**100%**
Stock Code	**85744**

The Agricultural Development Bank of China (the "**Bank**"), is offering Renminbi fixed rate Bonds (the "**Offering**" and the "**Bonds**", respectively) comprising an institutional offering (the "**Institutional Offering**" and the Bonds subscribed for thereby, the "**Institutional Bonds**") and a retail offering (the "**Retail Offering**" and the Bonds subscribed for thereby, the "**Retail Bonds**"). Please refer to the section entitled "*Structure of the Offering*" for further details. The Institutional Bonds and the Retail Bonds shall be consolidated and treated as a single series on the date of issuance of the Bonds. The Institutional Bonds are only suitable for "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**").

In addition to the Offering, the Bank is intending to offer a separate series of bonds to institutional investors under arrangements not set forth in this Offering Circular (the "**Concurrent Offering**"), which is expected to be denominated in RMB and is expected to be issued on the issue date in respect of the Bonds. The combined issue size of the Bonds and the Concurrent Offering shall not exceed U.S.$1.5 billion. The respective issue sizes of the Bonds and the Concurrent Offering shall be determined on 22 May 2019.

The 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 Bank will pay interest on the Bonds semi-annually in arrear on the interest payment dates falling in November 2019 and May 2020, 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) under "*Terms and Conditions of the Bonds*".

On giving not less than 30 nor more than 60 days' notice to the holders of the Bonds (which notice shall be irrevocable), the Bank may redeem any of the Bonds at any time 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) 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 the date on which pricing in respect of the Bonds takes place, and such obligation cannot be avoided by the Bank taking reasonable measures available to it.

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. Please refer to the sections entitled "*Subscription and Sale*" in respect of the Institutional Offering and "*How to apply for the Retail Bonds and other information*" in respect of the Retail Offering for further details relating to certain restrictions on offers and sales of the Bonds and the distribution of this Offering Circular.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises(國家發展改革委關于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) (the "**NDRC Circular**") promulgated by National Development and Reform Commission (the "**NDRC**") of the PRC on 14 September 2015 which came into effect on the same day, the Bank has registered the issuance of the Bonds with NDRC. Pursuant to the registration certificate, the Bank will cause relevant information relating to the issue of the Bonds to be reported to NDRC within 10 PRC working days after the issue date of the Bonds. See "*Risk Factor — 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*" in this Offering Circular for further details.

Application has been made to The Stock Exchange of Hong Kong Limited ("**SEHK**") for the listing of, and permission to deal in the Bonds and such permission is expected to become effective on 30 May 2019 (the "**Listing Date**").

The Retail Offering shall be subject to a Maximum Retail Subscription (as defined below), and will be subject to a Minimum Yield (as defined below), adopted based on the latest available yield to maturity of outstanding bonds of the PRC Government of comparable tenors on or before the commencement of the application period of the Retail Offering.

The coupon of the Bonds will not be known at the time when retail investors apply for the Retail Bonds.

If you wish to apply for the Retail Bonds, you may apply through HKSCC (either directly or through a securities broker (as defined below)) by giving electronic instructions to HKSCC. Decide what principal amount of the Retail Bonds you want to buy. See the section headed "*How to apply for the Retail Bonds and other information*" in this Offering Circular for further details.

By applying for the Retail Bonds, you will be deemed to have, for the benefit of the Bank, made a series of confirmations and acknowledgements as set out in the section entitled "*What Confirmations Do I Have to Make*?" beginning on page 8 of this Offering Circular.

HKSCC accepts no responsibility for the services provided by any securities broker or for any losses arising from the application by any person for the Retail Bonds through such securities brokers.

Copies of this offering circular (the "Offering Circular"), the Securities Brokers' Confirmation (as defined below) and the Profile and Subscription Form (as defined below) can be collected from Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The electronic copy of the Offering Circular, the Securities Brokers' Confirmation and the Profile and Subscription Form will also be uploaded to the Bank's website — http://www.adbc.com.cn/ and the SEHK's website at http://www.hkexnews.hk, and can be obtained during the application period for the Retail Bonds.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application (either directly through HKSCC or through your securities broker), all of your applications are liable to be rejected.

The Bonds are expected to be rated A+ by Standard & Poor's Financial Services L.L.C. ("**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.

The Bonds will be issued in registered form and represented by a global bond certificate (the "**Global Bond Certificate**") held in the Central Moneymarkets Unit Services (the "**CMU**"), operated by the Hong Kong Monetary Authority (the "**HKMA**"). A sub-custodian nominated by HKMA, as the CMU operator (the "**Operator**"), is the legal holder of the Bonds. You will hold your interests in the Bonds through Hong Kong Securities Clearing Company Limited ("**HKSCC**") directly or through your securities broker. You will have to rely on HKSCC or your securities broker to credit your account with principal and interest on the Bonds. Any notices (if any) the Bank gives after the issuance of the Bonds will be given through CMU, and you will have to rely on HKSCC or your securities broker to ensure that such notices reach you. Please refer to the section entitled "*How to apply for the Retail Bonds and other information — How Do I Hold My Retail Bonds?*" on page 9 of this Offering Circular for detailed explanations.

In order to provide liquidity and secondary trading for the Retail Bonds, the Bank has appointed Bank of China Limited, Bank of China (Hong Kong) Limited; Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to make a market in the Retail Bonds. This arrangement does not assure an active trading market for the Retail Bonds. See the section headed "*How to apply for the Retail Bonds and other information — Who are the market makers?*" in this Offering Circular for further details.

The Joint Global Coordinators were appointed by the Bank as arrangers for the Retail Bonds (the "Arrangers"). The Arrangers are not involved in the marketing or distribution of the Retail Bonds and will not underwrite the Retail Bonds nor offer or solicit any offer for the Retail Bonds and have not authorised any offering materials for the Retail Bonds, which remains the sole responsibility of the Bank. You may only apply for the Retail Bonds through HKSCC (either directly or through a securities broker) by giving electronic instructions to HKSCC, please refer to the section entitled "How to apply for the Retail Bonds and other information" for more information.

Arrangers (in respect of the Retail Offering)

Bank of China **Standard Chartered Bank** **Bank of Communications**

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in respect of the Institutional Offering)

Bank of China **Standard Chartered Bank** **Bank of Communications**

Joint Bookrunners and Joint Lead Managers (in respect of the Institutional Offering)

China Construction Bank **ICBC (Asia)** **Agricultural Bank of China Limited Hong Kong Branch** **BOCOM International** **Shanghai Pudong Development Bank**

HSBC **Citigroup** **Mizuho Securities** **KGI Asia**

Offering Circular dated 17 May 2019

IMPORTANT

You are warned that the market value of the Bonds may fluctuate. You should therefore ensure that you understand the nature of the Bonds and carefully study the risk warnings set out in this Offering Circular and, where necessary, seek independent professional advice, before you invest in the Bonds.

This document, for which the Bank and the Bank's Party Committee collectively accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on SEHK for the purpose of giving information with regard to the Bank. The Bank's Party Committee is the highest decision-making authority of the Bank. The Bank and the Bank's Party Committee confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Bonds constitute general unsecured contractual obligations of the Bank. If you invest in the Bonds, you are relying upon the Bank's creditworthiness.

To the fullest extent permitted by law, none of the Arrangers in respect of the Retail Offering, or the Joint Lead Managers (as defined below) accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers in respect of the Retail Offering, the Joint Lead Managers or on its behalf in connection with the Bank, or the issue and offering of the Bonds. The Arrangers in respect of the Retail Offering, or the Joint Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular is available in both English and Chinese from HKSCC at the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The Chinese version of the Offering Circular is a translation for your reference only and the English version will prevail in the event of any discrepancy. 中國農業發展銀行的發售通函的中英文版本可於香港中央結算有限公司的存管處櫃檯(香港中環康樂廣場8號交易廣場一期及二期1樓)索取。中國農業發展銀行的發售通函以英文文本為準，中文譯本僅供閣下參考。

The Group's Audited Consolidated Financial Statements have only been prepared in Chinese. An English translation of the Group's Audited Consolidated Financial Statements has been prepared and included in this Offering Circular for reference only.

集團經審計的總和財務報表僅以中文編制。已編制的經審計綜合財務報表的英文譯本納入本發售通函以供參考。

You should rely only on the information contained in this Offering Circular in making your investment decision. Neither the Bank nor any Arranger, Joint Global Coordinator, Joint Lead Manager, market maker, fiscal agent and paying agent participating in this offering has authorised anyone to provide you with any other information. Neither the delivery of this Offering Circular, nor any offering, sale or delivery made in connection with the issue of the Bonds should at any time or in any circumstances imply that the information contained in this Offering Circular is correct as at any time subsequent to the date of this Offering Circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs of the Bank since such date. No representation or warranty, express or implied, is made by any Arranger, market maker, fiscal agent and paying agent participating in this offering or any of their affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or should be, relied upon as a promise or representation by any Arranger, market maker, fiscal agent and paying agent participating in this offering or their affiliates or advisers.

No offer or solicitation with respect to the Bonds may be made in any jurisdiction or under any circumstances where such offer or solicitation is unlawful or not properly authorized. 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 document comes are required by the Bank and the arrangers to inform themselves about, and to observe, any such restrictions.

The Arrangers are appointed by the Bank. The Arrangers are not involved in the marketing or distribution of the Retail Bonds and will not underwrite the Retail Bonds nor offer or solicit any offer for the Retail Bonds.

Unless otherwise indicated, all references in this Offering Circular to "China" or the "PRC" are to the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan); all references to "Hong Kong SAR" are to the Hong Kong Special Administrative Region of China.

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.

Unless otherwise indicated, all references in this Offering Circular to "Renminbi" or "RMB" are to the lawful currency of China; all references to "Hong Kong dollar" or "HK$" are to the lawful currency of Hong Kong SAR; all references to "U.S. dollar" or "US$" are to the lawful currency of the United States of America.

The Group's audited consolidated financial information as at and for the years ended 31 December 2017 (the "**Group's 2017 Audited Consolidated Financial Information**") and 2018 (the "**Group's 2018 Audited Consolidated Financial Information**" and together with the Group's 2017 Audited Consolidated Financial Information, the "**Group's Audited Consolidated Financial Statements**") 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 2018. The Group's Audited Consolidated Financial Statements were prepared 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 "**PRC GAAP**"). PRC GAAP may differ in material respects from generally accepted accounting principles in other jurisdictions. Significant differences between the Bank's current accounting policies and the International Financial Reporting Standards are described in the section entitled "*Summary of certain differences between PRC GAAP and IFRS*" in this Offering Circular.

None of the Arrangers, Bank of China Limited ("**BOCL**"), Bank of China (Hong Kong) Limited ("**BOCHK**", together with BOCL, Bank of China); Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch (the "**Joint Global Coordinators**") and China Construction Bank (Asia) Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Agricultural Bank of China Limited Hong Kong Branch, BOCOM International Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Citigroup Global Markets Limited, Mizuho Securities Asia Limited and KGI Asia Limited (the "**Joint Bookrunners**", together with the Joint Global Coordinators, 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 Translations and can give no assurance that the information contained in the Financial Statement Translations 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 Group.

The Group's 2017 Audited Consolidated Financial Statements have been audited by Grant Thornton Certified Public Accountants ("**Grant Thornton**") and the Group's 2018 Audited Consolidated Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian LLP Certified Public Accountants ("**PwC**"). The change of auditors to PwC in 2018 was to comply with a three-year rotational requirement imposed by the applicable PRC supervising authorities. The Bank confirms that it does not have any disagreement with Grant Thornton.

Certain comparative financial information as at 31 December 2017 included in the Group's consolidated financial statements as at and for the year ended 31 December 2018 has been reclassified to conform with the current year presentation. See note XIV (Comparing figure) to the Group's consolidated financial statements as at and for the year ended 31 December 2018 on page F-186.

IFRS 9 not adopted

On 31 March 2017, the MOF revised the Accounting Standards for Business Enterprises No. 22 — Recognition and measurement of financial instruments, Accounting Standards for Business Enterprises No. 23 — the Transfer of a financial asset and Accounting Standards for Business Enterprises No 24 — Hedging accounting, such as three financial instruments accounting standards (the "**new Financial Instrument Standards**").

There is no substantive difference between the new Financial Instrument Standards and IFRS 9 except for the effective date illustrated as below.

The MOF plan to implement the new Financial Instrument Standards step by step as following:

1. For the enterprises listed both in the domestic and overseas and the enterprises listed in the overseas and adopted International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare its financial statements, the new Financial Instrument Standards shall be implemented as of 1 January 2018. The IASB requires IFRS 9 — financial instruments to come into force as of 1 January 2018. Therefore, the effective date of new Financial Instrument Standards is consistent with that of IFRS 9.

2. For other enterprises listed in domestic, the new Financial Instrument Standards shall be implemented as of 1 January 2019.

3. For non-listed enterprises that implement the Accounting Standards for Business Enterprises, the new Financial Instrument Standards shall be implemented as of 1 January 2021.

4. Enterprises that are qualified, willing and able to implement the new Financial Instrument Standards in advance shall be encouraged.

The Bank has a plan to implement the new Financial Instrument Standards on 1 January 2021 as it is a non-listed enterprise. At present, the Bank is using the Accounting Standards for Business Enterprises No. 22, 23 and 24 issued by the MOF on 15 February 2006.

The Bank estimates that the adoption of the new PRC Financial Instrument Standards will have an impact on the shareholder's equity and the carrying amount of the financial instruments at the beginning of 2021. The Bank is still assessing the full impact of adopting of the new PRC Financial Instrument Standards.

IFRS 15 not adopted

On 5 July 2017, MOF revised the Accounting Standards for Business Enterprises No 14 — Revenue (the "**new Revenue Standards**")

There is no substantive difference between the new Revenue Standards and IFRS 15 except for the effective date illustrated as below.

The MOF plan to implement the new revenue Standards step by step as following:

1. For the enterprises listed both in the domestic and overseas and the enterprises listed in the overseas and adopted International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare its financial statements, the new Revenue Standards shall be implemented as of 1 January 2018. The IASB requires IFRS 15— Revenue to come into force as of 1 January 2018. Therefore, the effective date of new Revenue Standards is consistent with that of IFRS 15.

2. For other enterprises listed in domestic, the new Revenue Standards shall be implemented as of 1 January 2020.

3. For non-listed enterprises that implement the Accounting Standards for Business Enterprises, the new Revenue Standards shall be implemented as of 1 January 2021.

4. Enterprises that are qualified, willing and able to implement the new Revenue Standards in advance shall be encouraged.

The Bank has a plan to implement the new Revenue Standards on 1 January 2021 as it is a non-listed enterprise. At present, the Bank is using the Accounting Standards for Business Enterprises No. 14 issued by the MOF on 15 February 2006.

Application of IFRS 15 in the future may not have a material impact on amounts reported in respect of the Group's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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.

Any discrepancies in any table between totals and sums of amounts listed in the table are due to rounding.

Investors should take note that the Offering is comprised of an Institutional Offering and a Retail Offering, which are further described in the section entitled "*Structure of the Offering*".

Waivers requested from the SEHK

The Bank has applied for waivers from strict compliance with the following listing rules of the SEHK (the "**Listing Rules**") for the Bank to:

(a) disclose the names of each director in this Offering Circular, and any related circulars and announcements under Rule 2.14 of the Listing Rules;

(b) procure each of the directors of the Bank to accept responsibility for the information contained in this Offering Circular and that a statement to that effect is incorporated in this Offering Circular under Rule 25.11 and Appendix 1 Part C paragraph 2 of the Listing Rules;

(c) provide undertaking that each new director or supervisor or member of the governing body of the Bank to sign and lodge with the SEHK as soon as practicable after their appointment a declaration in Form B under Rule 24.11(9) of the Listing Rules;

(d) lodge with the SEHK a declaration and undertaking in the form set out in Form B in Appendix 5 duly signed by such director or member of the Bank's governing body ("**Form B**") under Rule 24.14(9) of the Listing Rules;

(e) submit a written confirmation and undertaking signed by each director and member of the Bank's governing body to confirm the accuracy of the biographical details under Rule 24.11(9) of the Listing Rules;

(f) provide in this Offering Circular an indication of nominal interest rate and the yield of the Bonds under Appendix 1 Part C paragraphs 14(3) and 14(11) of the Listing Rules;

(g) provide a consolidated capitalisation statement and indebtedness statement of the Bank not earlier than three months prior to the date of this Offering Circular under Appendix 1 Part C paragraph 39 of the Listing Rules;

(h) provide an accountant's report prepared in accordance with Chapter 4 of the Listing Rules under Rule 33.03 and Appendix 1 Part C paragraph 42 of the Listing Rules; and

(i) provide a copy of the articles of association of the Bank for inspection under Appendix 1 Part C paragraph 54(1) of the Listing Rules.

Upon consideration of the Bank's status as a policy-oriented statutory financial institution and on the basis of the alternative information and arrangements set out below, the SEHK has granted the waivers sought:

(a) the names of each member of the Party Committee will be disclosed in listing documents, circulars or announcements issued by the Bank;

(b) the Party Committee of the Bank as a collective unit (instead of individual members of the Party Committee) will take responsibility of the contents contained in this Offering Circular;

(c) this Offering Circular includes the Group's 2017 Audited Consolidated Financial Information and the Group's 2018 Audited Consolidated Financial Information;

(d) a statement of no material change in the capitalisation and indebtedness of the Bank covering the period from the date of the capitalisation statement to the date of this Offering Circular will be included in this Offering Circular;

(e) a statement that there has been no material adverse change in the financial and trading position of the Bank since 31 December 2018;

(f) the Bank will identify and state in this Offering Circular the material differences between PRC GAAP and IFRS, as well as provide corresponding notes in respect of any adjustments to the Group's 2017 Audited Consolidated Financial Information (and highlight such adjustments in this Offering Circular);

(g) the Bank provides a summary of its articles of association for inspection by the public;

(h) this Offering Circular contains disclosure on the Minimum Yield and a description of how the pricing of the Bonds will be determined, subscription arrangements and appropriate risk disclosure;

(i) the Party Committee as a collective unit will confirm the accuracy of the biographical details of each member of the Party Committee;

(j) the Bank will lodge with the SEHK a declaration and undertaking in the form set out in Form B, duly signed by the secretary for and on behalf of the Party Committee, which are binding on the Party Committee; and

(k) the Bank's legal adviser as to Hong Kong law will provide training to the members of the Party Committee (as well as new Party Committee members appointed subsequent to listing) and explain to the Party Committee members (i) all applicable requirements and procedures for executing the Form B and the documents referred to in it, (ii) the possible consequences of making any false declaration or giving false information, and (iii) the obligations pursuant to the undertakings given in Form B, including but not limited to continuing compliance with the Listing Rules and the consequence of any breach of such undertakings, all of which is to be acknowledged by the Party Committee on behalf of its members.

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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 CMU (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 the Bank approved by the State Council on July 2018
Bank	Agricultural Development Bank of China
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**")
CCASS	The Central Clearing and Settlement System established and operated by HKSCC
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
coupon or interest	the interest payable under the Bonds
CPC	Communist Party of China
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
FATCA	the U.S. Foreign Account Tax Compliance Act of 2010, as amended, and the rules and regulations promulgated thereunder
Fiscal Agent	Bank of Communications Co., Ltd. Hong Kong Branch
GDP	gross domestic product
Group	the Bank and its subsidiaries taken as a whole
HK	the Hong Kong Special Administrative Region of the PRC
HKSCC	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
IAS	International Accounting Standards
IASB	International Accounting Standards Board

IFRS	International Financial Reporting Standards
Investor Participant	A person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
Macau	the Macau Special Administrative Region of the PRC
Mainland China	the People's Republic of China (excluding Hong Kong, Macau 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)
NPL	non-performing loan
NDRC	the National Development and Reform Commission of the PRC (國家發展和改革委員會)
Party Committee	the highest decision-making authority of 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 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
securities broker	means a CCASS clearing participant or CCASS custodian participant, which may be a securities broker, a custodian bank or any other institution admitted to CCASS as a clearing participant or custodian participant (all CCASS clearing participants and CCASS custodian participants are referred to in this Offering Circular as securities brokers)
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)

STRUCTURE OF THE OFFERING

Expected Timetable

The following is a summary of the key dates in respect of the Offering.

Date	Event
17 May 2019	Commencement of the Offering.
9:00 a.m., 17 May 2019	Commencement of the application period for the Retail Offering. See further the section entitled "*How to apply for the Retail Bonds and other information*".
3:45 p.m., 21 May 2019	Closing of the application period for the Retail Offering.
22 May 2019	Book building commences with respect to the Institutional Offering.
22 May 2019	Pricing of the Institutional Bonds ("**Pricing Date**").
23 May 2019	Announcement of final pricing details, including the coupon payable and the total issue size (the "**Pricing Details**") in respect of the Bonds and publication of supplementary offering circular (the "**Supplementary Offering Circular**") with the Pricing Details on the Bank's website at http://www.adbc.com.cn/ and the SEHK's website at http://www.hkexnews.hk.
24 May 2019	Announcement of the final allotment results of the Retail Offering on the Bank's website at http://www.adbc.com.cn/ and the SEHK's website at http://www.hkexnews.hk.
24 May 2019	Refund of monies for unsuccessful applications. The application money (inclusive of the brokerage fee, as applicable if applying through securities brokers) for any unsuccessful applications will be refunded to the applicants without interest by credit to the designated bank accounts of the applicants or their securities brokers.
29 May 2019	Issuance of the Bonds.
30 May 2019	Listing of the Bonds on the SEHK.

The Offering

The Bonds offered under the Offering comprises:

(a) an Institutional Offering of Renminbi fixed rate Bonds; and

(b) a Retail Offering of Renminbi fixed rate Bonds.

The Retail Offering shall be subject to a maximum cap of RMB 200 million in principal amount of the Bonds (the "**Maximum Retail Subscription**"), as determined by the Bank based upon several factors including, but not limited to, the expected demand under the Retail Offering. If the principal amount of the Bonds validly applied for under the Retail Offering is greater than the Maximum Retail Subscription, the Bonds will be allocated to investors applying pursuant to the Retail Offering thereafter, subject to scaling on a pro rata basis. Please refer to the section entitled "*Key Facts Statement on the Retail Offering — What if the Retail Bonds are Over-subscribed?*" for further details. If the principal amount of Bonds validly applied for under the Retail Offering is less than the Maximum Retail Subscription, such outstanding amount (being the Maximum Retail Subscription less the principal amount of the Bonds validly applied for in the Retail Offering) will be offered pursuant to the Institutional Offering.

The coupon payable and the issue size in respect of the Bonds will be announced on the day following the Pricing Date, subject to a minimum yield (the "**Minimum Yield**") of 2.90% which will only apply to the Retail Bonds. The Minimum Yield has been adopted based on the latest available yield to maturity of outstanding bonds of the PRC Government of comparable tenors on or before the commencement of the application period of the Retail Offering, and will only apply to the Retail Bonds.

The Retail Bonds will be offered at 100% of the principal amount of the Bonds and as a result, the minimum coupon payable on the Bonds (the "**Minimum Coupon**") shall be equal to the Minimum Yield. The Institutional Bonds will be offered at an issue price to be determined in accordance with a book building process as part of the Institutional Offering (the "**Book Build**"), provided, however, that the issue price of the Institutional Bonds shall be equal to or greater than 100% of the principal amount of the Bonds. As part of the Book Build, the Joint Global Coordinators will be soliciting from prospective investors indications of interest in acquiring the Institutional Bonds under the Institutional Offering. This process is expected to take place on the business day after the closing of the application period of the Retail Offering. On the Issue Date, Bank of China (Hong Kong) Limited (the "**Settlement Lead Manager**") shall procure the payment of the proceeds of the issue of the Institutional Bonds to the Bank by credit transfer in Renminbi to such account as the Bank has designated to the Settlement Lead Manager.

The coupon payable in respect of the Bonds will be determined in accordance with the Book Build. Where the coupon determined as part of the Book Build would result in a yield to maturity in respect of the Retail Bonds equal to or greater than the Minimum Yield, the coupon payable on the Bonds shall be such coupon as determined in accordance with the Book Build. Where the coupon determined as part of the Book Build would (but for the application of the Minimum Yield) result in a yield to maturity in respect of the Retail Bonds lower than the Minimum Yield, the coupon payable on the Bonds shall be the Minimum Coupon and the investors participating in the Institutional Offering shall subscribe for the Bonds at an issue price above par, such that the yield to maturity for the Institutional Bonds shall be equal to the yield to maturity as determined pursuant to the Book Build.

The Pricing Details in respect of the Bonds will be confirmed in the Supplementary Offering Circular expected to be published on 23 May 2019 on the Bank's website — http://www.adbc.com.cn/ and the SEHK's website — http://www.hkexnews.hk.

The Retail Bonds and the Institutional Bonds shall be consolidated and be treated as a single series upon issuance of the Bonds. Accordingly, the terms and conditions of the Retail Bonds and the Institutional Bonds, including the coupon payable in respect of both, shall be the same. The issue price in respect of the Retail Bonds and the Institutional Bonds however may be different (as described above), provided that the issue price of the Institutional Bonds shall be equal to or greater than 100% of the principal amount of the Bonds. **Accordingly, in all cases, investors participating in the Retail Offering shall benefit from a yield to maturity that is equal to or greater than the yield to maturity applying to the Bonds offered as part of the Institutional Offering.**

If the Institutional Offering is not consummated, the final coupon of the Bonds will be the Minimum Coupon. Notwithstanding such failure to consummate in respect of the Institutional Offering, any Bonds validly applied for pursuant to the Retail Offering shall be allocated to investors, as described herein. Issuance of the Retail Bonds is not conditional on consummation of the Institutional Offering.

The Retail Bonds are not underwritten while the Institutional Bonds are underwritten by the Joint Lead Managers. **The Bank's obligations under the Bonds are not guaranteed by the PRC Government**.

By applying for the Retail Bonds, you will be deemed to have, for the benefit of the Bank, made a series of confirmations and acknowledgements as set out in the section entitled "*What Confirmations Do I Have to Make?* " beginning on page 8 of this Offering Circular.

How do I Apply for the Retail Bonds?

If you wish to apply for the Retail Bonds, follow the steps set out below. You may apply for the Retail Bonds through HKSCC (either directly or through a securities broker) by giving electronic instructions to HKSCC.

Please contact HKSCC at telephone number 2979 7888 if you hold an investor account with HKSCC and wish to find out how to apply for the Retail Bonds directly through HKSCC. Otherwise, you may contact your securities broker to find out the procedures of applying for the Retail Bonds through a securities broker who is willing and able to apply on your behalf through HKSCC. If you are applying through a securities broker, your securities broker may stipulate its own deadline and certain requirements for the submission of application instructions to it. Please consult your securities broker if in doubt.

Warning: **Reference to any website in this Offering Circular is intended to assist you to access further public information relating to the subject as indicated. You should, however, conduct your own web searches to ensure that you are viewing the most up-to-date information and the website that you are viewing is genuine. Except for the electronic version of this Offering Circular (if any), information appearing on such websites does not form part of this Offering Circular. The Bank, the Arrangers, HKSCC, any securities brokers, and the fiscal agent do not accept any responsibility whatsoever that such other information, if available, is accurate and/or up-to-date. The offer of the Bonds is made solely on the basis of the information contained in this Offering Circular and prospective investors should exercise an appropriate degree of caution when assessing the value of other information which may appear on such websites.**

Do I Need an Application Form?

No, you will not be required to submit an application form to the HKSCC. All applications shall be made electronically through HKSCC (either directly or through a securities broker) in accordance with the application procedure set forth below. However, the securities broker through which you place your order will ask you to fill in its applicant profile and subscription form (the "**Profile and Subscription Form**"), the form of which is attached to this Offering Circular as Appendix 1, and may also require you to submit other information and/or forms to process your application. As part of the Profile and Subscription Form, you will be asked to make a series of confirmations and acknowledgements, which are also set out under the section entitled "***What Confirmations Do I Have to Make?***" of this Offering Circular. For further information, please consult your securities broker.

The Profile and Subscription Form is to be submitted to your securities broker and does not have to be returned to the Bank.

Securities brokers' will also be required to submit a confirmation (the "**Securities Brokers' Confirmation**") which, amongst others, requires the securities brokers to acknowledge and confirm that they have implemented reasonable measures to ensure that each prospective investor understands and gives the confirmations and acknowledgements as set out in the Profile and Subscription Form.

Where to Obtain Copies of the Offering Circular, the Supplementary Offering Circular and the Profile and Subscription Form?

Copies of this Offering Circular and the Profile and Subscription Form can be collected from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The electronic copy of the Offering Circular and the Profile and Subscription Form will also be uploaded to the Bank's website — http://www.adbc.com.cn/ and the SEHK's website — http://www.hkexnews.hk, and can be obtained during the application period of the Retail Bonds.

In addition, an electronic copy of the Supplementary Offering Circular will be uploaded to the Bank's website — http://www.adbc.com.cn/ and the SEHK's website — http://www.hkexnews.hk, on the day following the Pricing Date.

What if my application is unsuccessful?

The application money (inclusive of the brokerage) for any unsuccessful applications will be refunded to you without interest by credit to your designated bank account or your securities broker on the date of announcement of the final allotment results, which is expected to be on 24 May 2019.

Application Procedure for Applications by Giving Electronic Instructions to HKSCC

5. Decide what principal amount of the Retail Bonds you want to buy. The Retail Bonds are in denomination of RMB10,000 each, so the principal amount of Retail Bonds you decide to buy must be RMB10,000 (at the minimum) or a whole multiple of RMB10,000, up to RMB200 million which is the maximum principal amount of Retail Bonds permitted for a single application. As the Retail Offering is by non-competitive tender, you do not need to specify any bid price. The final coupon will be set in the Book Build subject to the Minimum Yield which will be afforded to investors in respect of the Retail Offering. Please see the section entitled "*Structure of the Offering*" in the Offering Circular for more details.

6. A securities broker may, as a nominee, lodge more than one application in its own name on behalf of different clients. In the input field in its application instructions to HKSCC, a securities broker may give for each beneficial owner:

   - the name of the beneficial owner; or

   - an account number; or

   - some other identification code.

7. The application money for the Retail Bonds you apply for is 100% of the principal amount of the Retail Bonds you apply for plus a brokerage fee (as applicable if applying through securities brokers). You must make sure that the full amount of your application money is available in your designated bank account for money settlement purposes in HKSCC or made available by your securities broker you apply through. No receipt will be issued for application money paid.

8. If you have your own investor account with HKSCC already, you should apply by giving electronic instructions to HKSCC through the CCASS Phone System or CCASS Internet System or Customer Service Centre in accordance with the procedures set out in HKSCC's "An Operating Guide for Investor Participants" and the "General Rules of CCASS" in effect from time to time.

9. If you are applying for the Retail Bonds through your securities broker, you will need to make the necessary arrangements directly with your securities broker to open an appropriate account with it if you do not already have a securities or custodian account, complete the Profile and Subscription Form, and to make payment to your securities broker of the application money together with any fees or commissions charged by your securities broker. Your securities broker should then apply for the Retail Bonds and pay the application money on your behalf through HKSCC.

10. You must ensure that the appropriate application instructions, either given directly by yourself as an Investor Participant of HKSCC or indirectly by your securities broker, are accepted by HKSCC by 3:45 p.m. on 21 May 2019. No instruction to apply for the Retail Bonds will be accepted after this time. The application period will not be adjusted or extended if any day (other than a Sunday, Saturday and public holiday) during the application period, including the closing day of the application period (21 May 2019), is not a business day for any reason (for example, the hoisting of a typhoon signal no.8 or above or a black rainstorm warning for all or any part of a day which would otherwise have been a business day).

What Confirmations Do I Have to Make?

When you apply to buy the Retail Bonds, you will be deemed to have confirmed for the benefit of the Bank that:

- you understand that the coupon payable for the Retail Bonds has not yet been fixed and will be determined on the pricing of the Institutional Bonds, subject to the Minimum Yield which will be afforded to you in respect of the Retail Offering;
- you agree to accept the Retail Bonds you have applied for or any lesser number allotted to you;
- you authorize HKSCC or your securities broker (as the case may be) to which you give your application instructions to credit any Retail Bonds allotted to you to your investment account with it and you understand that no certificates of title (including any temporary document of title) will be available to you for your Retail Bonds and your interest in your Retail Bonds is in book-entry form only;
- you agree that if you are not allotted any Retail Bonds or if your application is successful only in part, the whole or an appropriate portion of the application price will be returned to you without interest at your own risk;
- you understand and confirm that you are only permitted to make **ONE** application for the Retail Bonds, subject to a maximum amount of RMB200 million;
- you understand that the Bonds will be held through CMU which means that interest and principal will be paid to the bank account holders notified to us by the CMU and not distributed through CMU;
- you have read and understood this Offering Circular and have relied on no other information or material relating to the Bonds;
- you have read and understood the section entitled "*Terms and Conditions of the Bonds*" in this Offering Circular and the application procedures set out in this Offering Circular and agree to be bound by them;
- you agree that neither the Bank nor HKSCC, their respective directors, officers, agents and nominees will be liable to you or any other person in any way for any loss suffered as a result of the sale of the Retail Bonds to you in accordance with the terms and conditions in this Offering Circular;
- you confirm that you are not located within the United States, Canada or Japan and are not a U.S. Person and are purchasing the Bonds in an offshore transaction pursuant to Regulation S under the United States Securities Act of 1933 and rules and regulation promulgated under such Act. Terms used in this paragraph have the meanings given to them by Regulation S; and

- you understand that the Bank has taken no steps to qualify for or engage in a public offering (by means of publicity or otherwise) in any jurisdiction except Hong Kong SAR and if the laws of any place outside Hong Kong apply to your application, you agree and warrant that you have complied with all such laws and the Bank will not breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this Offering Circular.

You will be required to confirm that you have read and understood these confirmations when you apply directly through HKSCC or instruct your securities broker to apply for the Retail Bonds on your behalf. Ensure that you have read and understood these confirmations and that you are comfortable with making the confirmations before you sign any acknowledgments. If you have any questions on any of these confirmations, you should ask your securities broker for clarification or consult your own independent professional advisor (and if applicable, you should not proceed with the application until your securities broker or your own independent professional adviser has provided you with the necessary clarification or explanation).

Are There Any Restrictions on Renminbi Account or Settlement of Renminbi Payment?

If you are applying directly through HKSCC, you need to have a Renminbi account when you subscribe for the Retail Bonds. You may also need to accumulate sufficient Renminbi to pay the subscription price. If you are not allotted any Retail Bonds or your application is successful only in part, the whole or appropriate portion of the subscription price will be returned to you by crediting into your Renminbi account. If your application is successful, you would need to maintain a Renminbi account to receive the principal and interest (payable periodically) under the Retail Bonds which will be paid in Renminbi by the Bank and be credited to your Renminbi account by HKSCC.

If you are applying through a securities broker, you may also need to have and maintain a Renminbi account in order to subscribe for the Retail Bonds and to receive the principal and interest under the Retail Bonds. Please consult your securities broker with respect to account and settlement requirements.

When you try to open a Renminbi account or settle Renminbi payments, you may be subject to various remittance and transfer restrictions in accordance with applicable laws and regulations. If in doubt, please consult your own independent professional advisor.

If you are a corporate entity, there are no general legal restrictions on the opening of a Renminbi bank account with a Renminbi participant bank, the ability for you to exchange Renminbi with other currencies, or the ability for you to effect transfers of Renminbi funds between different accounts in Hong Kong SAR. Your bank will need to comply with the usual banking business rules including know-your-client and other anti-money laundering requirements in handling these transactions for you.

The above-mentioned restrictions are not exhaustive as different banks could have different and/or additional restrictions. There may be additional rules, regulations and restrictions under contemplation or to be issued by the relevant Hong Kong SAR authorities that may be relevant to your investment in Renminbi-denominated Bonds. You should check with your securities broker for updates and details.

How Do I Hold My Retail Bonds?

The Bank will issue the Bonds in registered form. The Bank does not intend to issue individual certificates for its Bonds and will instead issue one Global Bond Certificate to represent the Bonds, so Bonds you purchase will be held in CMU. If you do not have a securities or investment account already, you will have to open one before you can buy any Bonds. You should read the section entitled "Su*mmary of Provisions Relating to the Bonds in Global Form*" for additional information.

You should note that your total return on an investment in the Bonds will be affected by charges levied by HKSCC or your securities broker (as the case may be).

You should discuss this with your securities broker and shop around if you wish. Brokers charge varying fees to open and maintain these securities or investment accounts and have different arrangements for processing orders. You should familiarize yourself with the standard terms and conditions which your securities broker will apply to your account. You should ask your securities broker to explain if you are not familiar with these arrangements. You should note that your total return on an investment in the Bonds will be affected by charges levied by your securities broker.

The Bonds will be held in CMU, which is a clearing system run by HKMA. The Bonds will be represented by a single Global Bond Certificate which the Bank will issue in a principal amount equal to the total principal amount of the Bonds. The Global Bond Certificate will be deposited for safekeeping with a sub-custodian of CMU. When the Bonds are represented by a Global Bond Certificate, the references in this Offering Circular to you as an investor in the Bonds essentially refer to you as a holder of a beneficial interest in the Global Bond Certificate. You should read the section entitled "*Summary of Provisions Relating to the Bonds in Global Form*" for additional information.

As disclosed in the "Terms and Conditions of the Bonds," if the Bank defaults on its Bonds, or if CMU closes down and the Bank fails to appoint a replacement clearing system, the Bank will issue individual certificates for the Bonds. The Bank will not issue individual certificates otherwise. Only under such circumstances, you as an investor in the Global Bond Certificate will become a holder of the actual Bonds in the form of individual certificates. The fiscal agency agreement provides in detail for the arrangements which will apply in the unlikely event that individual certificates have to be issued. If any of these events occurs, the Bank will give a notice summarizing these arrangements. If the Bank is unable to deliver this notice to the CMU participants, the Bank will publish the notice in one English language newspaper and one Chinese language newspaper of general circulation in Hong Kong SAR.

The Bank will pay interest and principal on the Bonds to the bank accounts of the account holders notified to the Bank by CMU as persons having an interest in the Global Bond Certificate in accordance with the rules and procedures of the CMU. You will have to rely on HKSCC or your securities broker to ensure that payments on your Bonds are credited to your account. Once the Bank has made any payments in this way, investors in the Bonds, including you, will have no further rights against the Bank for that payment, even if HKSCC or your securities broker fails to transmit to you your share of the payment or transmits it late. This is because, so far as the Bank is concerned, it has paid the "holder" of its Global Bond Certificate, which is the CMU operator. The Bank has no control over, or knowledge of, the custody arrangements through which you as an investor hold any of the Bonds. Any notices the Bank gives after the Bonds are issued will be given through the fiscal agent: you will have to rely on HKSCC or your securities broker to ensure that such notices reach you. Similarly, you will have to rely on HKSCC or your securities broker to forward any notices from you to the Bank through the fiscal agent of the Bank.

The Bank does not accept any responsibility for the services provided to you by HKSCC or your securities broker.

What Are the Arrangements between the Bank, HKSCC and the securities brokers for Selling the Bonds? Is the Offer Underwritten?

In addition to offering and selling the Retail Bonds to retail investors, the Bank will also offer and sell the Bonds to institutional or other investors (as defined in the SFO), as part of the Offering.

Pursuant to an agreement entered into by the Bank and HKSCC, the Bank has agreed to pay a placing and distribution fee of 0.18% of the principal amount of the Retail Bonds to HKSCC which shall receive the same for its own account (in the case of direct applications) and on behalf of the relevant securities brokers (in the case of applications made through a securities broker).

Securities brokers' will be required to submit a Securities Brokers' Confirmation which, amongst others, requires the securities brokers to acknowledge and confirm that they have implemented reasonable measures to ensure that each prospective investor understands and gives the confirmations and acknowledgements as set out in the Profile and Subscription Form.

A copy of the Securities Brokers' Confirmation can be collected from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The electronic copy of the Securities Brokers' Confirmation will also be uploaded to the Bank's website — http://www.adbc.com.cn/ and the SEHK's website — http://www.hkexnews.hk, and can be obtained during the application period of the Retail Bonds.

The Retail Bonds are sold to you by subscription directly from the Bank and are not underwritten and the Institutional Bonds are underwritten by the Joint Lead Managers.

Please refer to "*Subscription and Sale*" for details with respect to arrangements in relation to the Institutional Offering. Investors who are applying for the Retail Bonds should disregard this section as it only applies to the Institutional Offering.

Administrative Functions Are Performed by Agents of the Bank

Administrative matters relating to the Bonds are dealt with in the fiscal agency agreement, which the Bank will enter into on or about 29 May 2019, with Bank of Communications Co., Ltd. Hong Kong Branch as its fiscal agent, registrar, paying agent, transfer agent and CMU lodging agent. Bank of Communications Co., Ltd. Hong Kong Branch in such capacities is referred to as the agents. This fiscal agency agreement sets out the arrangements between the Bank and its agents for:

- making payments of principal and interest on the Bonds;
- giving notices to the investors in the Bonds;
- issuing individual certificates for Bonds, in the unlikely event that the Bank ever needs to do so;
- organizing and running meetings of the investors in the Bonds; and
- keeping records and dealing with other administrative matters.

Each of the agents is an agent of the Bank. It owes no duties to you as investors in the Bonds. You have no rights under fiscal agency agreement.

What Are the Arrangements for Listing the Bonds on the SEHK after the Completion of the Application Period?

The Bonds will be listed on the SEHK and will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Hong Kong business day following the issue date of the Bonds. The listed Bonds will be quoted and traded on the basis of a price expressed as a percentage of their principal amount. For example, a price of "99.50" means 99.50% of the principal amount of the Bond. The Bonds will be traded in units of RMB100 each in principal amount and each trading lot of the Bonds has 100 units (in other words, one trading lot is equivalent to RMB10,000 in principal amount of the Bonds).

Settlement of trades in the Bonds through the SEHK is required to take place in CCASS on the second settlement day after the trade date. The following fees and levies will be chargeable on both the buyer and the seller:

- a transaction levy of 0.0027%; and

- a trading fee of 0.005%,

in each case, of the consideration amount of the Bonds traded. An investor compensation levy of 0.002% administered by the Securities and Futures Commission ("**SFC**") may also apply to the consideration amount of the Bonds traded although as at the date of this Offering Circular the SFC has temporarily suspended this levy.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Listing does not assure an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds in a principal amount which you wish to purchase or sell.

Are the Retail Bonds Covered by the Investor Compensation Fund?

Upon listing of the Bonds on the SEHK, your interest in the Retail Bonds and any transactions in the Retail Bonds you engage in may be protected by the investor compensation fund. The investor compensation fund is established to pay compensation to investors who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to products traded on the SEHK. Whether you are eligible for this protection will depend on whether you and the persons you are dealing with (including HKSCC and/or your securities broker) satisfy certain criteria set out in the SFO and the investor compensation fund rules. If you wish to find out more about your eligibility for protection under the investor compensation fund in connection with the Bonds, you should seek independent advice and consult your securities broker (as appropriate).

How Do I Sell My Retail Bonds before the maturity?

The Bonds can be sold:

- through the SEHK; or

- Over-the-counter.

Your Bonds will be held through HKSCC directly or through a securities broker. If you wish to sell any Bonds over-the-counter, you will need to instruct HKSCC or your securities broker to transfer the Bonds to the counterparty. The relevant counterparty, HKSCC and/or your securities broker may charge you fees for such transfer.

Who are the Market Makers?

The Bank has appointed Bank of China Limited, Bank of China (Hong Kong) Limited; Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to act as the market makers in respect of the Bonds to assist in maintaining a market in the Bonds in over-the-counter transactions in the secondary market. They will do this by using their best efforts to quote prices at which they are willing to purchase the Bonds (bid prices) and prices at which they are willing to sell the Bonds (offer prices which are subject to each market maker's internal guidelines on restrictive exposure for any single entity and the amount of RMB) during normal banking hours on any business day. Such arrangements do not assure an active secondary market for the Bonds.

How Do I Transfer My Retail Bonds?

To transfer the Bonds, you must give a transfer instruction to HKSCC or your securities broker in accordance with the terms and conditions applicable to your account with them.

The Bonds can be transferred from one CMU account to another through book entries. An individual is not eligible to open a CMU account. You can therefore transfer your Bonds to a person who:

- holds an account with CMU;
- holds an investor account with HKSCC;
- is a securities broker; or
- holds a securities or custody account with a securities broker.

Settlement and clearing of transfers are performed through the CMU in accordance with the rules applicable to the CMU. Such transfers will be subject to the terms of your agreement with HKSCC or your securities broker as applicable.

KEY FACTS STATEMENT ON THE RETAIL OFFERING

The following provides you with key information about the Retail Offering and may not contain all the information that may be important to you. For a fuller description of the Bonds, you should also refer to the section entitled "The Bonds"*. You should read and understand the entire Offering Circular before making your investment decision.*

Quick Facts about the Retail Offering

Issuer	Agricultural Development Bank of China.
Bonds	Renminbi fixed rate bonds.
Pricing Date	22 May 2019.
Interest Rate	The final coupon of the Bonds will be determined on the pricing of the Institutional Bonds, subject to the Minimum Yield which will be afforded to investors in respect of the Retail Offering. Please refer to the section entitled "*Structure of the Offering*" for further details on the pricing mechanism.
Application Period	9:00 a.m., 17 May 2019 to 3:45 p.m., 21 May 2019.
Subscription Price	100% of the principal amount of Bonds (i.e., RMB10,000 per Bond).
Brokerage Fee	Applications made directly through HKSCC will not be subject to any brokerage fees. For applications made through a securities broker, the level of brokerage fee that you pay is determined by your securities broker. Please consult your securities broker on how this fee is charged. Any brokerage fee charged by a securities broker is in addition to the subscription price you pay to the Bank.
Issue Date	29 May 2019.
Maturity Date	In May 2020.
Interest Payment Dates	Falling in November 2019 and May 2020. However, if any interest payment date is not a business day in Hong Kong SAR or China, 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.
Repayment Amount	100% of the principal amount, if you hold the Bonds until maturity. The principal amount of the Bonds will not be repaid before the Maturity Date.
Total Issue Size	To be determined following pricing of the Institutional Bonds. The Retail Offering shall however be subject to the Maximum Retail Subscription. Please refer to the section entitled "*Structure of the Offering*".

Denomination, Minimum Purchase Amount and Minimum Transfer Amount	The denomination of the Bonds is RMB10,000 per Bond and you may buy or sell Bonds of RMB10,000 or integral multiples of RMB10,000 in nominal principal amount.
No Guarantee or Collateral Arrangement	The Bonds are not secured on any of the Bank's assets or any collateral. The Bonds are not guaranteed. You will be relying on the creditworthiness of the Bank alone when you invest in the Bonds.
Listing and Market Making Arrangements	Application has been made to SEHK for the listing of, and permission to deal in, the Bonds on SEHK. It is expected that dealing in, and listing of, the Bonds on SEHK will commence on 30 May 2019. Although the Bank has appointed Bank of China Limited, Bank of China (Hong Kong) Limited; Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to make a market in the Retail Bonds, there may only be a limited trading market for the Bonds. You should be prepared to hold the Bonds to maturity.
Governing Law	The Bonds, the fiscal agency agreement and other agreements relating to the Bonds and referenced in the Conditions will be governed by Hong Kong law.
Use of Proceeds	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.

What Are the Key Risks of Investing in the Retail Bonds?

*Potential investors in the Bonds should carefully consider all the information set out in this Offering Circular, including the key risks below. Investors should take note that the descriptions below are in addition to the risk factors more fully described in the section entitled "*Risk Factors*".*

- **NOT equivalent to a time deposit; NOT protected under the Hong Kong Deposit Protection Scheme NOR guaranteed by the Hong Kong SAR Government's Exchange Fund** — Investment involves risks. This is an investment product and is not equivalent to a time deposit. The Bonds are not protected under the Hong Kong Deposit Protection Scheme nor guaranteed by the Hong Kong SAR Government's Exchange Fund. The investment decision is yours but you should not invest in the Bonds unless the Bonds are suitable for you according to your financial situation, investment experience and investment objectives. If in doubt, please consult your own independent professional advisor.

- **Limited payout and upside** — The payout under the Bonds is limited to the nominal amount of the Bonds together with all interest payments payable during the term of the Bonds; and the maximum return on the Bonds is limited to the interest payments which will be announced on the day following the Pricing Date.

- **Conversion between RMB and foreign currencies, including Hong Kong dollar, subject to PRC regulatory restrictions** — The PRC government regulates conversion between RMB and foreign currencies both in Hong Kong SAR and Mainland China, which as a result may affect the liquidity of the Bonds.

- **Exchange rate risk and interest rate risk** — The Bonds are denominated in RMB and carry a fixed interest rate. The Hong Kong dollar value of your investment will go down if the RMB depreciates against the Hong Kong dollar. The value of your investment will also decrease if RMB interest rates go up during the term of the Bonds.

- **No liquid secondary market** — The Bonds are designed to be held to maturity and have no liquid secondary market. If you try to sell your Bonds, you may not be able to find a buyer, or the sale price could be much lower than the amount you invested. Although the Bank has appointed Bank of China Limited, Bank of China (Hong Kong) Limited; Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to make a market in the Retail Bonds, there may only be a limited trading market for the Bonds. You should be prepared to hold the Bonds to maturity. In addition, you will have to rely on or appoint a securities broker to contact the market makers should you wish to sell your Bonds. You may also need to pay a brokerage fee, the level of which is determined by your securities broker.

- **The Bank's credit risks and your maximum loss upon default** — When you buy the Bonds, you will be relying on the Bank's creditworthiness alone. **The Bonds are unsecured and are not guaranteed by anyone.** If the Bank becomes insolvent or defaults on any of its obligations under the Bonds, you can only claim as an unsecured creditor against the Bank. **In a worst case scenario, you could lose all of your investment.**

- **The final coupon to be paid under the Bonds will not be determined until after the application period for the Retail Offering** — When you apply for the Retail Bonds, the final coupon to be paid under the Bonds will not be determined and shall only be determined until after the application period for the Retail Offering. The Retail Bonds will however provide at least the Minimum Yield.

- **Difficulty in Enforcing Judgments against the Bank** — The Bank is a statutory financial institution organized under the laws of the PRC and substantially all of its assets and operations are located in Mainland China. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters which allow for a final court judgment (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by Hong Kong law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

English Version of Terms and Conditions Prevails over Chinese Translation

The terms and conditions of the Bonds are issued in English and any Chinese translation provided is for reference only. If there is any inconsistency between the Chinese translation of the terms and conditions of the Bonds and the English version, the English version will prevail over the Chinese translation. If you do not understand the English version, you should obtain independent professional advice.

You Do not have Direct Contractual Rights to Enforce the Bonds

The Bonds will be represented by a Global Bond Certificate and no individual bearer certificates will be issued to you with respect to your holding of the Bonds. To assert your rights as an investor in the Bonds, you will have to rely on HKSCC, your custodian or your securities broker (as the case may be) to take action on your behalf. If HKSCC, your custodian or your securities broker (as the case may be) fails to take action in accordance with your instructions or it becomes insolvent or defaults on its obligations, you will need to take action against HKSCC, your custodian or your securities broker (as the case may be) in accordance with the terms of arrangement between you and HKSCC, your custodian or your securities broker (as the case may be). Please refer to the section entitled "*Risk Factors — Risks relating to the Bonds — You Do not have Direct Contractual Rights to Enforce the Bonds*" for further details.

Who Are the Retail Bonds for?

The Bonds are designed for investors who:

- wish to invest in Renminbi-denominated Bonds providing periodic fixed interest payments and principal repayment in Renminbi at maturity;

- are looking for a buy-and-hold product and do not need to sell their Bonds before maturity for liquidity needs; and

- understand that when they invest in the Bonds, they will be relying on the Bank's creditworthiness alone.

How Can You Apply for the Retail Bonds? What Are the Fees and Charges?

Please refer to the section entitled "*How to Apply for the Retail Bonds and other information*" in this Offering Circular for further details of the application process. For applications made through a securities broker, the level of brokerage fee that you pay is determined by your securities broker. Applications made directly through HKSCC will not be subject to any brokerage fees.

By applying for the Bonds (either directly through HKSCC or through your securities broker), you will be deemed to have acknowledged, agreed and confirmed that the series of confirmations and acknowledgements set out in the beginning of page 8 of this Offering Circular are true and accurate in all respects. It is your responsibility to ensure that you understand and are able to give these confirmations and acknowledgements.

Do You Need a Renminbi Bank Account?

If you are applying directly through HKSCC, you need to have a Renminbi account when you subscribe for the Retail Bonds. You may also need to accumulate sufficient Renminbi to pay the subscription price. If you are not allotted any Retail Bonds or your application is successful only in part, the whole or appropriate portion of the subscription price will be returned to you by crediting into your Renminbi account. If your application is successful, you would need to maintain a Renminbi account to receive the principal and interest (payable periodically) under the Retail Bonds which will be paid in Renminbi by the Bank and be credited to your Renminbi account by HKSCC.

If you are applying through a securities broker, you may also need to have and maintain a Renminbi account in order to subscribe for the Retail Bonds and to receive the principal and interest under the Retail Bonds. Please consult your securities broker with respect to account and settlement requirements.

When you open a Renminbi bank account or settle Renminbi payments, you may be subject to restrictions which are imposed by People's Bank of China and are currently applicable to Renminbi transactions in Hong Kong SAR. Details of these restrictions are set out in the section entitled "*How to apply for the Retail Bonds — Are There Any Restrictions on Renminbi Account or Settlement of Renminbi Payment?*" beginning on page 9 of this Offering Circular.

You may be subject to further restrictions in dealings in Renminbi in Hong Kong SAR as may be imposed by government authorities of Hong Kong SAR or China from time to time.

How Will the Retail Bonds Be Held?

The Bonds will be represented by a single Global Bond Certificate which the Bank will issue in a principal amount equal to the total principal amount of the Bonds. The Global Bond Certificate will be deposited for safekeeping with a sub-custodian for CMU, which is a clearing system operated by HKMA.

As the Bank does not intend to issue individual certificates for the Bonds, you must hold them in a securities or investment account. If you do not have a securities or investment account, you will have to open one before you can buy the Bonds.

What if the Retail Bonds Are Over-subscribed?

If the aggregate principal amount of Retail Bonds validly applied for is greater than the Maximum Retail Subscription, the Bank will allocate the Retail Bonds to investors subject to scaling on a pro rata basis such that the aggregate principal amount of Retail Bonds accepted for purchase is no greater than the Maximum Retail Subscription. For the purpose of such allocation, Retail Bonds validly applied for will be scaled by multiplying the aggregate principal amount of Retail Bonds applied for, by a factor equal to: (i) the Maximum Retail Subscription divided by (ii) the aggregate principal amount of Retail Bonds that are validly applied for; in each case rounded to six decimal places and subject to adjustment to allow for the aggregate principal amount of Retail Bonds to be issued, following such rounding, to exactly equal the Maximum Retail Subscription. Each application for Retail Bonds that is scaled in this manner will be rounded down to the nearest RMB10,000. In the event of any scaling on a pro rata basis, if such scaling would result in an application from any investor to fall below an aggregate principal amount of less than RMB10,000, the Bank will allocate one Retail Bond with a principal amount of RMB10,000 to such investor.

To the extent any principal amount of Retail Bonds remain unallocated within the Maximum Retail Subscription as a result of any rounding, the Bank will allot such principal amount of Bonds by way of ballot to the investors selected through such process.

In the event that the Retail Bonds are over-subscribed to the extent that the Bank is unable to allocate at least one Retail Bond to each applicant, the Bank will allot the principal amount of the Retail Bonds by way of ballot.

What if You Change Your Mind? Is There a Cooling-off Period?

You may not revoke your application once you have submitted your application. There is no cooling-off period.

Are There any Market Making Arrangements?

The Bank has appointed Bank of China Limited, Bank of China (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to make a market in the Retail Bonds. You can contact your broker who will coordinate with the market makers to quote a price at which you can sell your Bonds. The market making arrangements do not assure that you will have access to a firm offer price for your Bonds in a principal amount which you wish to sell. Prices obtained by different banks may not be the same. In addition, each market maker may have internal guidelines on restricting exposure to any one entity which may limit the aggregate maximum principal amount of Bonds (per counterparty) in respect of which they are able to quote a price. You will also have to rely on or appoint a securities broker to contact the market makers should you wish to sell your Bonds. You may also need to pay a brokerage fee, the level of which is determined by your securities broker. Any market making arrangements will be conducted over-the-counter and will not be conducted through the facilities of the SEHK and you may need to comply with any requirements imposed by your broker or the market makers in order to sell your Bonds.

It is the current intention of the Bank to maintain market making arrangements similar to those described above for so long as the Bonds are outstanding. While Bank of China Limited, Bank of China (Hong Kong) Limited; Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch have agreed with the Bank to quote prices, they may in the future be unable to quote a price or may decide to discontinue this service. In such case, the Bank will appoint replacement market makers as soon as reasonably practicable.

Any offer by the market makers to sell Bonds will be contingent on the Bonds being available to the relevant market maker.

What Are the Continuing Disclosure Obligations?

During the life of the Bonds, the Bank will give notice to the investors in the Bonds of any changes in the financial condition of, or other circumstances relating to, the Bank that could reasonably be expected to materially and adversely affect the Bank's ability to meet its obligations under the Bonds in accordance with the rules of the SEHK.

Any notices the Bank gives after the Bonds are issued will be given to HKSCC or your securities broker through the fiscal agent. You will have to rely on HKSCC or your securities broker to forward the notices to you.

What Are the Registration and Other Formalities after the Retail Bonds Are Issued?

The Bank will 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. See risk factor "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."

For More Information

This key facts statement does not contain all the information you need to make an informed investment decision. You must read the entire Offering Circular before deciding whether to invest in the Bonds.

Copies of this Offering Circular, the Securities Brokers' Confirmation and the Profile and Subscription Form can be collected from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The electronic copy of the Offering Circular, the Securities Brokers' Confirmation and the Profile and Subscription Form will also be uploaded to the Bank's website — http://www.adbc.com.cn/ and the SEHK's website — http://www.hkexnews.hk, and can be obtained during the application period for the Retail Bonds.

In addition, an electronic copy of the Supplementary Offering Circular will be uploaded to the Bank's website — http://www.adbc.com.cn/ and the SEHK's website — http://www.hkexnews.hk, on the day following the Pricing Date.

MORE INFORMATION ABOUT THE RETAIL BONDS AND THIS OFFERING CIRCULAR

These are the answers to some frequently-asked questions:

What Are the Benefits of Investing in These Retail Bonds?

The Bonds:

- provide regular interest payments for the entire term of your investment; and
- provide an opportunity for you to invest in a Renminbi-denominated instrument.

Who Should Buy These Retail Bonds? Are They Suitable for Everyone?

The Bonds are designed for investors who:

- wish to invest in Renminbi-denominated Bonds providing periodic fixed interest payments and principal repayment in Renminbi at maturity;
- are looking for a buy-and-hold product and do not need to sell their Bonds before maturity for liquidity needs; and
- understand that when they invest in the Bonds, they will be relying on the Bank's creditworthiness alone.

Is the Bank Rated?

Moody's Investors Service, inc. ("**Moody's**") and S&P assigned to the Bank the same ratings as China's sovereign debt. The Bank's current credit ratings are as below:

Moody's Investors Services, Inc.	
Senior unsecured debt rating	A1
Standard & Poor's Ratings Group	
Long-term foreign issuer credit rating	A+

Any credit ratings reflect only the views of the credit rating agencies. They are not a recommendation to buy, sell or hold securities and are subject to change, update or withdrawal at any time.

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.

What Will Be Your Investment Return if You Buy These Retail Bonds?

The Bank will repay 100% of the principal amount of the Bonds you buy on the scheduled maturity date in Renminbi.

The Bank will pay interest in Renminbi at the fixed coupon rate, which is a yearly rate, on each scheduled interest payment date of the Bonds every six months.

As the Bank pays your annual interest semi-annually, your effective annualized yield may be a little higher than the stated coupon because you receive half of the annual interest after six months.

Remember also to take into account the fees you will incur in ordering the Bonds and in setting up and maintaining a securities or investment account at a bank that will hold your Bonds.

Can You Sell Your Retail Bonds Before Their Maturity?

Yes, you may sell your Bonds before their maturity. If you try to sell your Bonds before maturity, you may receive an offer which is less than the amount you invested; or you may not be able to sell your Bonds at all. Because the denomination of the Bonds is RMB10,000, you may sell the Bonds of RMB10,000 or integral multiples of RMB10,000 in nominal principal amount. The Bonds can be traded on the SEHK. Alternatively, you can contact your broker in respect of market making arrangements described in this Offering Circular to ask for a price at which you can sell your Bonds. Each market maker has agreed with the Bank to quote prices, if it can. However, the market makers may in the future be unable to quote a price or may decide to discontinue this service. In such case, the Bank will appoint replacement market makers as soon as reasonably practicable. Prices quoted by different market makers may not be the same. Please refer to the section entitled "*Key Facts Statement on the Retail Offering — Are There any Market Making Arrangements?*" for further details.

A price will be quoted for the Bonds based on a percentage of the notional amount and the interest accrued on the Bonds.

The Bank is not responsible for the establishment or maintenance of a secondary trading market in the Bonds.

Where Can You Find More Information About the Issuer and These Retail Bonds?

Please read this Offering Circular carefully before you decide whether to buy the Bonds. This Offering Circular contains important information, including information about:

- the Bank's business, financial condition and profitability;
- risks of buying the Bonds;
- PRC and Hong Kong SAR taxation applicable to the Bonds;
- arrangements for holding and transferring Bonds in CMU and how the Bank makes payments and gives notices while the Bonds are held in CMU;
- terms and conditions of the Bonds set out in this Offering Circular, including what happens if the Bank defaults; and
- how your Bonds are held.

You can ask for a printed copy of this Offering Circular, which is available in both English and Chinese from HKSCC at the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong. 中國農業發展銀行的發售通函的中英文版本可於香港中央結算有限公司的存管處櫃檯(香港中環康樂廣場8號交易廣場1期及2期1樓)索取。

You can inspect during normal business hours at the specified office of the fiscal agent conformed copies of the Global Bond Certificate attached with full terms and conditions, copies of the approval for the issuance of the Bonds, the fiscal agency agreement, and other documents in connection with the offering of the Bonds set out in the section entitled "*General Information*" in this Offering Circular.

The Bank has not authorized anyone to give you any information about itself or the Bonds other than the information in this Offering Circular. You should not rely on any other information.

Do You Have to Pay any Stamp Duty on These Retail Bonds?

No, there is no stamp duty payable on the issue or transfer of the Bonds in Hong Kong SAR.

Please refer to the section entitled "*Taxation of Bonds*" in this Offering Circular for further information.

SUMMARY

This summary may not contain all the information that may be important to you. You should read the entire Offering Circular before deciding to invest in the Bonds.

Overview

The Bank was incorporated on 19 October 1994 pursuant to the Notice of the State Council on the Establishment of Agricultural Development Bank of China (國務院關於組建中國農業發展銀行的通知) issued on 19 April 1994 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. The Bank was incorporated as the enterprise under ownership by the whole people of the PRC with limited liabilities according the *Law of the People's Republic of China of Industrial Enterprises Owned by the Whole People (2009 Amendment)* (《中華人民共和國全民所有制工業企業法(2009修正)》). 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 2018, the outstanding amount of loans granted by the Bank was RMB5,089.681 billion[1], representing an increase of 9.31 per cent., or RMB433.641 billion, from RMB4,656.04 billion[2] as at 31 December 2017. As at 31 December 2018, the outstanding amount of bonds issued by the Bank was RMB4,201.489 billion, representing an increase of 10.18 per cent. from 31 December 2017. As at 31 December 2018, the Bank's balance of deposits was RMB1,434.936 billion, representing a decrease of RMB18.027 billion compared to 31 December 2017. As at 31 December 2018, the Bank's financial self-sufficiency rate in relation to those funds (outstanding amount of the bonds plus the amount of each types of deposit of the Bank, including the customers' deposits in the Bank and the Bank's deposits with other financial institutions) (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 85.37 per cent., representing a decrease of 3.00 per cent. from 31 December 2017.

As at 31 December 2018, the Bank's outstanding amount of NPL increased by RMB2.8 billion from 31 December 2017 to RMB40.6 billion and the ratio of non-performing loans was 0.80 per cent., representing a decrease of 0.01 per cent. from 31 December 2017. As at 31 December 2018, the outstanding amount of the loan loss provisions was RMB173.197 billion, representing a net increase of RMB24.317 billion; the NPL provision coverage ratio as at 31 December 2018 was 426.25 per cent. representing an increase of 32.57 per cent. from 393.68 per cent. as at 31 December 2017. The cost to income ratio for the year ended 31 December 2018 was 27.01 per cent., representing a decrease of 0.66 per cent. from the year ended 31 December 2017. As at 31 December 2018, the Bank's capital adequacy ratio was 4.22 per cent.

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

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

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 policy-oriented bank 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 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 financial 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.

One of the Main Onshore Issuer

The Bank is one of the largest bond-issuing entities in the PRC domestic market. As at 31 December 2018, the Bank issued financial bonds 1,105 tranches in total, in an aggregated amount of RMB8.008 trillion. In 2018, the Bank issued financial bonds in an aggregated amount of RMB1.11 trillion, along with a total worth of RMB4.18 trillion of bonds outstanding, making the Bank the third largest issuer in China's bond market. In addition, all the payments under the bonds issued by the Bank are on schedule, and no breach occurred in respect of the bonds.

Important Participant in the Market Construction

The Bank is one of the important participants in the market construction that has:

- Issued innovative poverty alleviation bonds: In April 2016, the Bank successfully issued China's first poverty alleviation special financial bonds in the national interbank market;

- Issued "ChinaBond Agricultural Development Bank of China Bond Index": In May 2016, the Bank formally issued the first "Agricultural, Rural Areas and Farmers" bond index in China;

- Started the issuance of the green financial bonds: In December 2016, the Bank issued its first green financial bond. As of the end of 2017, the outstanding amount of the bonds amounted to RMB62.52 billion;

- Issued the first "Bond Connect" financial bonds: In July 2017, in conjunction with the PBOC, the Bank successfully issued first "Bond Connect" bonds totalling RMB16 billion in just 27 days, indicating the "Bond Connect" primary market was opened;

- Opening up the market for counter sales channel of agricultural debts: In July 2017, three tranches of stocks of agricultural bonds entered the counter market for the first time, further enriching the investment choices of the public investors;

- The first issuance of the "Bond Connect" green financial bonds through Shanghai Clearing House, and disclosed on the Luxemburg Stock Exchange: In November 2017, the Bank finished the first single green financial bond issuance under the "Bond Connect", totalling RMB10 billion, promoting green finance and supporting the green industry; In March 2018, the information of the bond was disclosed on the Luxembourg Stock Exchange;

- The first batch of green debt pre-issuance transactions of the Bank successfully reached: In 23 April 2018, the first batch of green debt pre-issuance transactions of the Bank was successfully reached, and on June 28, the pre-issuance method was adopted again to further promote the integration of the first- and second-tier markets and discover the true price of the market;

- In September 2018, the Bank issued its first tranche of dual currency bond and USD bond. In November 2018, the Bank issued its first tranche of EUR green bond which is included in the Solactive Green Bond Index;

- In November 2018, the Bank issued its first financial bond in Shenzhen Stock Exchange;

- In November 2018, the Bank's primary market information was disclosed through "Bond Connect" and outstanding bond information was disclosed on the Luxembourg Stock Exchange; and

- In April 2019, the Bank signed the "Green Investment Principles for the Belt and Road", a set of green investment principles jointly developed by the Green Finance Committee of China Society for Finance and Banking and the City of London Green Finance Initiative.

Awards

In the recent years, the Bank has obtained the following awards:

- Selected and ranked 8th as "the safest bank in the global 50 emerging market countries in 2018" by the US financial magazine *Global Finance*

- "2018 National Poverty Alleviation Award" issued by the Leading Group for Poverty Alleviation and Development of the State Council

- "Top Ten Poverty Alleviation Innovation Model" selected by *China Comment (半月談)*

- "The Best Agricultural, Rural Areas and Farmers" Financial Services Bank of the Year" and the "Best Capital Market Opening and Innovation Contribution Agency" Awards in the "2018 China Financial Institutions Gold List" by *Financial Times*

- "The Successful Offshore Issuance of the First Euro Green Bonds by the Bank" was selected as "Top 10 News of China's Capital Markets in 2018" by the *Financial Times*

- "Best Policy Bank of the Year" awarded by China Banking Industry Development Forum and Bank Comprehensive Evaluation which was held by *Sina Finance*

- "Sustainable Development Pratt & Whitney Award" by *Caijing Magazine*

- "Bond Connect Excellent Issuer" Awards by Bond Connect Company Limited

- "Excellent Member and Excellent Issuer of China Bond" and "Excellent Issuer of China Bond Green Bond Index Sample Bond" of 2018 by China Central Depository & Clearing Co., Ltd.

- "Excellent Issuer (Bank Financial Bond)" and "Innovative Business Promotion Award (Green Bond International Cooperation)" Awards by Shanghai Clearing House

- "Outstanding Contribution Award" of the 2018 Shenzhen Stock Exchange Bond Market by Shenzhen Stock Exchange

- "Excellent Bond Connect Issuer of 2018" by Chinamoney

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 which include Mr. Bao Jian'an, Mr. Lin Li, Mr. Yin Jiuyong, Mr. He Xing Xiang and Mr. Sun Lansheng, assistant to the president, Mr. Zhu Yuanyang, secretary of the board, Mr. Zhou Liangwei and the chief risk officer, Mr. Li Xiaohui) 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 2018, the outstanding amount of NPL of the Bank increased by RMB2.80 billion from 31 December 2017 to RMB40.6 billion. The NPL ratio was 0.80 per cent., representing a decrease of 0.01 per cent. from 31 December 2017.

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 raised 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 RMB17.117 billion for the year ended 31 December 2017 to RMB18.116 billion for the year ended 31 December 2018. The cost to income ratio for the year ended 31 December 2018 was 27.01 per cent., representing a decrease of 0.66 per cent. from the year ended 31 December 2017.

Organisational Structure

The headquarters of the Bank is located in Beijing. As at 31 December 2018, there was a business outlet of the headquarters of the Bank, 31 provincial branches, 338 regional/municipal branches (including the business outlets equivalent to provincial branches) and 1,828 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 BONDS

*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 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 Bonds*" in this Offering Circular.*

Issuer	Agricultural Development Bank of China.
Legal Entity Identifier of the Issuer	300300C1020311000158
Bonds	Renminbi Fixed Rate Bonds due 2020.
Issue Price	100.00 per cent. for the Retail Bonds. The issue price in respect of the Institutional Bonds will be determined in accordance with the procedures as set forth in the section entitled "Structure of the Offering".
Form and Denomination	The Bonds will be issued in registered form in denominations of RMB10,000 and integral multiples of RMB10,000 in excess thereof.
Transfer	Transfers of interests in the Bonds evidenced by the Global Bond Certificate will be effected in accordance with the rules and procedures for the time being of the Operator.
Interest	The Bonds will bear interest from May 2019 at the rate to be determined in accordance with the Book Build (subject to the Minimum Coupon). Interest will be payable semi-annually in arrear in November 2019 and May 2020 (each an "**Interest Payment Date**"), 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.
Issue Date	29 May 2019.
Maturity Date	In May 2020.
Status of the Bonds	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*) 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	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. "**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.
Events of Default	If any of the following events (each, an "**Event of Default**") occurs and is continuing: • 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 • 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; or

- Cross-default: failure by the Bank to make any payment when due of principal or interest in excess of U.S.$100,000,000 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

- 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, subject to certain exceptions; or

- 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 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.

Redemption at Maturity

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling in May 2020.

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, 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) (*Redemption for tax reasons*) of the Terms and Conditions of the Bonds.
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. 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 *"Terms and Conditions of the Bonds — Taxation*".
Meetings and Voting	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. In case at any time the holders of at least 10 per cent. in aggregate principal amount of the outstanding Bonds shall have requested the Fiscal Agent to call a meeting of the Bonds, 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. 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.

	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. Resolutions passed by "**Extraordinary Resolution**" shall be passed by a majority of not less than 66.67 per cent. of the aggregate principal amount of Bonds then outstanding represented at such meeting. Resolutions passed in respect of a Reserved Matter shall be passed by a majority of not less than 75 per cent. of the aggregate principal amount of Bonds then outstanding represented at such meeting. The following are "**Reserved Matters**": (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*).
Clearing Systems, Clearing and Settlement	The Bonds will be represented by beneficial interests in a Global Bond Certificate in registered form, which will be registered in the name of, and lodged with a sub-custodian for the HKMA as operator of the CMU. Beneficial interests in the Global Bond Certificates will be shown on and transfers thereof will be effected only through records maintained by CMU. Except in the limited circumstances described in such Global Bond Certificate, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Bond Certificate. See "*Summary of provisions related to the Bonds in Global Form*" for further details. The Bonds have been accepted for clearance through CMU with the CMU Instrument Number: BCMKFB19020, International Securities Identification Number ("**ISIN**") HK0000502689, and Common Code number 199606549.
Governing Law	Hong Kong law.

Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds or the Deed of Covenant and accordingly any legal action or proceedings arising out of or in connection with any Bonds or the Deed of Covenant may be brought in such courts. The Issuer has irrevocably submitted to the jurisdiction of such courts.
Fiscal Agent, Registrar, Paying Agent, Transfer Agent and CMU Lodging Agent	Bank of Communications Co., Ltd. Hong Kong Branch.
Listing	Application has been made to SEHK for the listing of, and permission to deal in, the Bonds on SEHK. It is expected that dealing in, and listing of, the Bonds on SEHK will commence on 30 May 2019.
Rating	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 Bondholders, create and issue further bonds having the same terms and conditions as the Bonds, 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.
Use of Proceeds	See "*Use of Proceeds*".

CONCURRENT OFFERING

In addition to the Offering, the Bank is intending to offer a separate series of bonds to institutional investors under arrangements not set forth in this Offering Circular (the "**Concurrent Offering**"), which is expected to be denominated in RMB and is expected to be issued on the Issue Date of the Bonds. The combined issue size of the Bonds and the Concurrent Offering shall not exceed U.S.$1.5 billion. The respective issue sizes of the Bonds and the Concurrent Offering shall be determined on the Pricing Date.

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 2017 and 2018, as set forth below, has been derived from and should be read in conjunction with the Group's Audited Consolidated Financial Statements which have been audited by PwC, English translations of which are included elsewhere in this Offering Circular. The Audited Consolidated 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 2017	As at 31 December 2018
	RMB (audited)	
Assets:		
Cash and deposits with central bank	184,590,809,006.66	188,231,651,374.37
Deposits with banks and non-bank financial institutions	190,982,690,383.53	429,611,862,435.14
Placements with banks and non-bank financial institutions	83,973,420,000.00	225,621,580,000.00
Financial assets at fair value through profit or loss	367,943,431,256.06	326,891,577,859.01
Derivative financial assets	2,840,907.67	—
Financial assets held under resale agreements	211,903,186,000.00	89,077,859,000.00
Interest receivable	18,830,941,733.12	20,572,196,018.32
Loans and advances to customers	4,566,092,278,109.96	4,969,370,397,294.04
Held-to-maturity investments	97,713,601,292.25	110,818,784,665.68
Investment classified as receivables	426,969,125,832.25	428,288,551,878.92
Long-term equity investments	1,546,559,800.49	1,755,737,889.98
Fixed assets	16,589,440,512.76	16,349,308,907.48
Intangible assets	486,565,613.64	537,297,047.07
Deferred tax assets	29,442,123,565.14	39,314,873,713.65
Other Assets	9,221,515,205.40	6,335,565,222.56
Total assets	6,206,288,529,218.93	6,852,777,243,306.22
Liabilities:		
Borrowings from the Central Bank	694,200,000,000.00	678,400,000,000.00
Deposits from banks and non-bank financial institutions	14,397,990,471.70	285,243,024,783.17
Financial liabilities at fair value through profit or loss	1,202,814,246.58	—
Derivative financial liabilities	—	275,800,289.42
Due to customers	1,437,753,967,281.22	1,388,615,934,401.76
Employee benefits payable	7,947,948,434.21	9,244,508,017.22
Taxes payable	7,083,976,677.35	10,060,181,644.61
Interests payable	92,664,129,320.31	114,423,183,023.25
Provisions	—	9,019,925,959.28
Debt securities issued	3,813,134,606,622.10	4,201,489,087,784.32
Other liabilities	2,311,864,586.82	2,338,819,221.28
Total liabilities	6,070,697,297,640.29	6,699,110,465,124.31
Equity:		
Share capital	57,000,000,000.00	57,000,000,000.00
Capital reserves	12,397,525.36	12,397,525.36
Other comprehensive income	10,725,113.94	(31,221,186.06)
Surplus reserves	11,748,190,669.02	13,559,939,959.35
General risk reserves	24,000,000,000.00	24,000,000,000.00
Retained earnings	42,819,918,270.32	59,125,661,883.26
Total equity	135,591,231,578.64	153,666,778,181.91
Total liabilities and equity	6,206,288,529,218.93	6,852,777,243,306.22

Consolidated Statement of Comprehensive Income

Items	For the year ended 31 December 2017	2018
	RMB (audited)	
I. Operating income	**85,268,775,429.16**	**90,722,173,742.37**
(I) Net interest income	67,937,164,314.05	71,847,822,301.33
Interest income	215,918,106,686.99	254,675,396,222.23
Interest expenses	147,980,942,372.94	182,827,573,920.90
(II) Net fee and commission income	82,628,577.43	154,656,235.66
Fee and commission income	401,677,209.13	319,616,969.81
Fee and commission expenses	319,048,631.70	164,960,734.15
(III) Investment income	21,309,827,818.74	23,888,311,007.48
Including: Share of profit in associates and joint ventures	(12,842,056.36)	2,724,389.49
(IV) Changes in fair value gains and losses	(5,146,035,936.77)	(5,470,414,347.73)
(V) Foreign exchange gains and losses	60,253,290.14	102,867,209.47
(VI) Other operating income	63,818,241.57	47,300,503.44
(VII) Assets disposal income	80,345,724.00	78,105,763.39
(VIII) Other income	880,773,400.00	73,525,069.33
II. Operating expenses	**67,740,024,554.92**	**70,900,469,691.88**
(I) Taxes and surcharges	955,422,501.17	1,070,767,561.58
(II) Operating and administrative expenses	23,354,943,630.68	24,258,026,745.71
(III) Impairment losses on assets	43,097,369,438.95	45,310,849,347.96
(IV) Other operating expenses	332,288,984.12	260,826,036.63
III. Operating profit	**17,528,750,874.24**	**19,821,704,050.49**
Add: Non-operating income	107,203,207.00	121,354,342.36
Less: Non-operating expenses	334,763,257.38	414,205,299.70
IV. Profit before income tax	**17,301,190,823.86**	**19,528,853,093.15**
Less: Income tax expenses	182,926,676.64	1,411,360,189.88
V. Net profit	**17,118,264,147.22**	**18,117,492,903.27**
VI. Other comprehensive income, net of tax	**(27,817,822.71)**	**(41,946,300.00)**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
- Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss	(27,817,822.71)	(41,946,300.00)
VII. Total comprehensive income	**17,090,446,324.51**	**18,075,546,603.27**

Consolidated Statement of Cash Flows

Items	For the year ended 31 December 2017	2018
	RMB (audited)	
I. Cash flows from operating activities:		
Net increase in deposits from customers and from banks and non-bank financial institutions	15,024,813,273.05	221,707,001,432.12
Net increase in borrowings from the Central Bank	132,200,000,000.00	—
Net decrease in deposits with the Central Bank, banks and non-bank financial institutions	93,312,319,321.26	—
Net decrease in financial assets held under resale agreements	—	122,825,327,000.00
Cash received for interests, fees and commissions	217,698,449,172.10	253,253,758,906.84
Cash received from other operating activities	2,548,897,343.53	886,409,413.25
Cash inflows from operating activities	460,784,479,109.94	598,672,496,752.21
Net increase in loans and advances to customers	565,399,513,213.58	435,554,737,057.15
Net decrease in borrowings from the Central Bank	—	15,800,000,000.00
Net increase in deposits with the Central Bank, banks and non-bank financial institutions	—	408,254,519,808.56
Net increase in placements with other financial institutions	20,828,769,701.69	119,700,000,000.00
Net increase in financial assets held under resale agreements	34,587,673,000.00	—
Cash paid for interests, fees and commissions	26,877,502,561.77	37,967,200,506.85
Cash paid to and for employees	14,428,220,645.68	16,098,738,726.29
Payments of all types of taxes	11,571,787,543.32	16,376,688,053.86
Cash paid relating to other operating activities	9,572,368,854.96	747,735,561.54
Cash outflows from operating activities	683,265,835,521.00	1,050,499,619,714.25
Net cash flows from operating activities	**(222,481,356,411.06)**	**(451,827,122,962.04)**
II. Cash flows from investing activities:		
Proceeds from sale and redemption of investment	504,934,432,967.38	505,697,639,007.56
Proceeds from investment income	20,711,296,034.81	23,888,311,007.48
Proceeds from other investing activities	168,285,443.76	1,551,760,301.64
Cash inflows from investing activities	525,814,014,445.95	531,137,710,316.68
Purchase of investments	503,978,442,849.77	484,876,750,394.40
Purchase of fixed assets, intangible assets and other long-term assets	1,272,744,397.69	3,599,976,776.79
Cash outflows from investing activities	505,251,187,247.46	488,476,727,171.19
Net cash flows from investing activities	**20,562,827,198.49**	**42,660,983,145.49**
III. Cash flows from financing activities:		
Proceeds from debt securities issued	1,201,614,149,792.08	1,136,511,602,009.05
Other cash received in relation to financing activities	—	—
Cash inflows from financing activities	1,201,614,149,792.08	1,136,511,602,009.05
Repayments of debts	781,865,761,031.46	748,983,906,533.96
Cash payments for interest	104,727,248,556.74	122,439,494,758.13
Cash outflows for financing activities	886,593,009,588.20	871,423,401,292.09
Net cash flows from financing activities	**315,021,140,203.88**	**265,088,200,716.96**
IV. Effect of foreign exchange rate changes on cash and cash equivalents	60,253,290.14	41,569,839.75
V. Net increase in cash and cash equivalents	113,162,864,281.45	(144,036,369,259.84)
Add: opening balances of cash and cash equivalents	217,027,211,510.49	330,190,075,791.94
VI. Closing balances of cash and cash equivalents	330,190,075,791.94	186,153,706,532.10

Notes:

(1) The financial information as at and for the year ended 31 December 2017 and 2018 is extracted from the Group's Audited Consolidated Financial Statements for the year ended 31 December 2018.

(2) Certain balances as at and for the year ended 31 December 2017 has been reclassified to conform with the presentation in the Audited Consolidated Financial Statements for the year ended 31 December 2018.

Your investment in the Bonds involves risks, including those inherent in any investment. Not all of these risks can be described in this Offering Circular. You should consider carefully the following risks, together with other information contained in this Offering Circular, before you decide whether to invest in the Bonds.

RISKS RELATING TO THE BONDS

The final coupon to be paid under the Bonds will not be determined until after the application period for the Retail Offering.

When you apply for the Retail Bonds, the final coupon to be paid under the Bonds will not be determined and shall only be determined until after the application period for the Retail Offering. The Retail Bonds will however provide at least the Minimum Yield.

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 part 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 SEHK for the listing of, and permission to deal in, the Bonds on the SEHK, 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 Bonds are denominated and payable in Renminbi. An investor who measures investment returns by reference to a currency other than Renminbi, 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 Bank has no control. Depreciation of Renminbi 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 and value 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.

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 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 Bank'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 a statutory financial institution organized 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 Hong Kong law which governs the Bonds may adversely affect Bondholders.

The Terms and Conditions of the Bonds are governed by Hong Kong law. No assurance can be given as to the impact of any possible judicial decision or change to Hong Kong 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.

The 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.

The Bonds will initially be represented by a Global Bond Certificate. Such Global Bond Certificate will be registered in the name of, and lodged with a sub-custodian for the HKMA as operator of the Central Moneymarkets Unit Services (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 the 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 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 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 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 29 December 2018, 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 on 30 June 2011 and took effect on 1 September 2011 and further amended on 31 August 2018 and took effect on 1 January 2019, 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 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 the Pricing Date 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 the Pricing Date, 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, 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.

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 registered with the NDRC with respect to the issuance of the Bonds in accordance with the NDRC Circular. The legal consequences of non-compliance with the 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, 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.

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.

There are significant restrictions on the conversion or remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of the Bonds and the Bank's ability to finance its obligations under the Bonds.

The 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. 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.

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 the Bonds.

In addition, the PRC government regulates conversion between Renminbi and foreign currencies both in Hong Kong SAR and Mainland China, which as a result may affect the liquidity of the Bonds.

For further information, please refer to the section entitled "*PRC Currency Controls Relating to Renminbi*".

Renminbi is not freely convertible and hence the final redemption amount you will receive at the maturity of the Bonds may not be freely convertible to other currencies on or after the Maturity Date.

The Bonds are fixed rate Renminbi-denominated bonds, and therefore you will receive interest payments and the final redemption amount denominated in the currency of Renminbi.

Currently, Renminbi is not freely convertible and the PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. As such, the interest payments as well as the final redemption amount may not be freely convertible to other currencies.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the Bank's ability to source Renminbi outside the PRC to service the 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 Bonds. To the extent the Bank is required to source Renminbi in the offshore market to service its Bonds, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

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

All payments to investors in respect of the Bonds will be made solely (i) for so long as any series of Bonds are represented by a Global Bond Certificate deposited with a sub-custodian for CMU 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 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).

The Bonds is not equivalent to a time deposit, and not protected under the Hong Kong Deposit Protection Scheme nor guaranteed by the Hong Kong SAR Government's Exchange Fund.

Investment involves risks. The Bonds is an investment product and is not equivalent to a time deposit. The Bonds are not protected under the Hong Kong Deposit Protection Scheme nor guaranteed by the Hong Kong SAR Government's Exchange Fund. The investors should not invest in the Bonds unless the Bonds are suitable according to their financial situation, investment experience and investment objectives. If in doubt, please consult your own independent professional advisor.

The Bonds is in limited payout and upside.

The payout under the Bonds is limited to the nominal amount of the Bonds together with all interest payments payable during the term of the Bonds; and the maximum return on the Bonds is limited to the interest payments which will be announced on the day following the Pricing Date.

Exchange rate risk and interest rate risk

The Bonds are denominated in Renminbi and carry a fixed interest rate. The Hong Kong dollar value of your investment will go down if the Renminbi depreciates against the Hong Kong dollar. The value of your investment will also decrease if Renminbi interest rates go up during the term of the Bonds.

No liquid secondary market

The Bonds are designed to be held to maturity and have no liquid secondary market. If you try to sell your Bonds, you may not be able to find a buyer, or the sale price could be much lower than the amount you invested. Although the Bank has appointed Bank of China Limited, Bank of China (Hong Kong) Limited; Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to make a market in the Retail Bonds, there may only be a limited trading market for the Bonds. You should be prepared to hold the Bonds to maturity. In addition, you will have to rely on or appoint a securities broker to contact the market makers should you wish to sell your Bonds. You may also need to pay a brokerage fee, the level of which is determined by your securities broker.

Credit risks and your maximum loss upon default

When you buy the Bonds, you will be relying on the Bank's creditworthiness alone. The Bonds are unsecured and are not guaranteed by anyone. If the Bank becomes insolvent or defaults on any of its obligations under the Bonds, you can only claim as an unsecured creditor against the Bank. In a worst case scenario, you could lose all of your investment.

You Do not have Direct Contractual Rights to Enforce the Bonds

The Bonds will be represented by a single Global Bond Certificate and no individual bearer certificates will be issued to you with respect to your holding of the Bonds. The Global Bond Certificate will be deposited for safekeeping with a sub-custodian for CMU.

HKSCC, your custodian or your securities broker will arrange to hold your Bonds for you in account at CMU, through either its own account or the account of its direct or indirect custodian with CMU. The Bank will pay interest and principal on the Bonds to the bank accounts of the CMU account-holders notified to the Bank by CMU as persons for whose accounts interests in the global bond are credited in accordance with the rules and procedures of CMU. For any payments that need to be made under the Bonds, the Bank will treat such CMU account-holders as the bondholders. As a result, you do not have any direct contractual rights against the Bank if it fails to pay any amount under the Bonds in accordance with the terms and conditions of the Bonds. To assert your rights as an investor in the Bonds, you will have to rely on HKSCC, your custodian or your securities broker to take action against the Bank.

However, if HKSCC, your custodian or your securities broker fails to enforce any rights against the Bank on your behalf, or HKSCC, your custodian or your securities broker becomes insolvent or defaults on its obligations, you will need to take action against HKSCC, your custodian or your securities broker subject to the terms of the account agreement or customer agreement or term of business between you and HKSCC, your custodian or your securities broker. HKSCC, your custodian or your securities broker will be able to explain to you your rights against it in this regard. Depending on the account agreement or customer agreement or term of business between you and HKSCC, your custodian and your securities broker, upon insolvency or default of HKSCC, your custodian or your securities broker, you may only have a claim as the unsecured creditor of HKSCC, your custodian or your securities broker regardless of the status of the Bonds. Even if the Bonds you invest in do not from part of the pool of assets which are applied toward satisfying the claims of the general unsecured creditors of the insolvent or defaulted HKSCC, your custodian or your securities broker, there could still be substantial delay before you could receive the interest and/or principal amount of the Bonds. In the worst case scenario, you could lose part of your investment. When you buy the Bonds, you are required to confirm that you understand and agree that the Bank accepts no responsibility for the provision of bank services and custody services by HKSCC, your custodian or your securities broker or for any consequences of, or arising from, the use of the bank account and the investment account or custody services of HKSCC, your custodian or your securities broker.

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 bank 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 supporting 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 its 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.

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 is one of 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 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.; as at 31 December 2018, the balance of the non-performing loans of the Bank was RMB42.3 billion, and the non-performing loan ratio is 0.83 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 a statutory financial institution organized 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 statutory financial institution organised under the laws of the PRC, and a substantial majority of its business, assets and operations are located in the PRC. In addition, the Party Committee of the Bank as a collective unit (instead of its members in their personal capacity) are taking responsibility for the contents of this document. The Party Committee resides in the PRC, and all of its members are located in the PRC. Although the Party Committee accepts that it will be subject to the supervision by the SEHK (and all other applicable authorities) and their enforcement powers against it in respect of its compliance with the Listing Rules and all other applicable laws subject to the provisions of the applicable laws and regulations, there is considerable uncertainty under Hong Kong and PRC law as to how and whether an investor may commence civil proceedings against a party organ or party members in connection with functions discharged by a party organ as the governing body of policy bank. Therefore, it may not be possible for investors to effect service of process upon the Bank or the Party Committee within the PRC and it may not be possible for investors to successfully commence proceedings against the Party Committee or its members in the PRC or in Hong Kong.

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

The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with numerous countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Bondholders to enforce any judgments obtained from such foreign courts against the Group, the Bank or any of their respective directors, supervisors and executive officers in the PRC.

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. 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.

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. Since 1994, the conversion of RMB into foreign currency, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial 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. On 30 September 2016, the International Monetary Fund announced that Renminbi joins its Special Drawing Rights currency basket. The PRC government may in the future make further adjustments to the exchange rate system.

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

	Renminbi per U.S Dollar Noon Buying Rate[1]			
Period	**End**	**Average[3]**	**High**	**Low**
	(RMB per U.S.$1.00)			
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019				
January	6.6958	6.7863	6.8708	6.6958
February	6.6912	6.7367	6.7907	6.6822
March	6.7112	6.7119	6.7381	6.6916
April	6.7347	6.7161	6.7418	6.6870
May (through May 10)	6.8217	6.7705	6.8256	6.7319

Period	HK$ per U.S Dollar Noon Buying Rate(2)			
	End	Average(3)	High	Low
	(HK$ per U.S.$1.00)			
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019				
January	7.8463	7.8411	7.8463	7.8308
February	7.8496	7.8477	7.8496	7.8460
March	7.8498	7.8492	7.8499	7.8466
April	7.8451	7.8445	7.8497	7.8368
May (through May 10)	7.8487	7.8466	7.8489	7.8438

Period	HK$ per RMB(4)			
	End	Average	High	Low
	(HK$ per RMB1.00)			
2013	1.2800	1.2635	1.2800	1.2440
2014	1.2479	1.2590	1.2851	1.2380
2015	1.1761	1.2299	1.2522	1.1739
2016	1.1113	1.1664	1.1995	1.1113
2017	1.1989	1.1552	1.2075	1.1135
2018	1.1386	1.1855	1.2569	1.1249
2019				
January	1.1685	1.1540	1.1685	1.1376
February	1.1743	1.1632	1.1743	1.1562
March	1.1672	1.1685	1.1743	1.1656
April	1.1630	1.1674	1.1728	1.1630

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) Exchange rates between Hong Kong dollar and the U.S. dollar represent the noon buying rates as set forth in the H. 10 statistical release of the Federal Reserve Board.

(3) Annual, semi-annual and monthly averages have been calculated using the average of the daily rates during the relevant period.

(4) Exchange rates between HK$ and the Renminbi represent the daily rates as set forth in the monthly statistical bulletin in section 6.1.3 exchange rates and interest rates daily figures on the website of HKMA (https://www.hkma.gov.hk/eng/market-data-and-statistics/monthly-statistical-bulletin/table.shtml#section6).

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Bank at 31 December 2018 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 "*Selected Financial Information*" and the Group's consolidated financial statements and related notes, the English translation of which are included elsewhere in this Offering Circular.

	As at 31 December 2018			
	Actual	**Actual**	**As adjusted**	**As adjusted**
	(RMB in billions)	**(U.S.$ in billions)(1)**	**(RMB in billions)**	**(U.S.$ in billions)(1)**
Liabilities:				
Borrowings from PBOC	678.4	98.7	678.4	98.7
Due to banks and financial institutions	285.2	41.5	285.2	41.5
Deposits received	1,388.6	210.0	1,388.6	210.0
Bonds payable	4,201.5	611.1	4,201.5	611.1
Other liabilities	2.3	0.3	2.3	0.3
RMB Bonds to be issued pursuant to the Offering	—	—	***To be determined***(3)	***To be determined***(3)
RMB Bonds to be issued pursuant to the Concurrent Offering	—	—	***To be determined***(3)	***To be determined***(3)
Total liabilities	**6,699.1**	**974.3**	***To be determined***(4)	***To be determined***(4)
Paid-in capital	57.0	8.3	57.0	8.3
Surplus reserve	13.6	2.0	13.6	2.0
General risk reserve	24.0	3.5	24.0	3.5
Retained earnings	59.1	8.6	59.1	8.6
Total owner's equity	**153.7**	**22.4**	**153.7**	**22.3**
Total capitalisation(2)	**6,852.8**	**996.7**	***To be determined***(5)	***To be determined***(5)

Notes:

(1) For convenience only, all translation from Renminbi into U.S. dollars are made at the rate of RMB6.8755 to U.S.$1.00, the exchange rate as at 31 December 2018 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.

(2) Total capitalisation equals the sum of total liabilities and total owner's equity.

(3) The information will be set out in the Supplementary Offering Circular and will be determined following pricing of the Offering and the Concurrent Offering, expected on 22 May 2019.

(4) The information will be set out in the Supplementary Offering Circular and will be determined following pricing of the Offering and the Concurrent Offering, expected on 22 May 2019. Total liabilities will be adjusted to add the figures pursuant to the issuance of the RMB Bonds under the Offering and the Concurrent Offering.

(5) The information will be set out in the Supplementary Offering Circular and will be determined following pricing of the Offering and the Concurrent Offering, expected on 22 May 2019. Total capitalisation will be adjusted to add the figures pursuant to the issuance of the RMB Bonds under the Offering and the Concurrent Offering.

There has been no material change in the capitalisation and indebtedness of the Bank since 31 December 2018.

USE OF PROCEEDS

The estimated amount of the expenses of the Offering and of the application for listing will be payable by the Bank, and will be announced together with the net proceeds of the issue of the Bonds in the Supplementary Offering Circular. 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.

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 terms and conditions and the global bond will be issued in the English language, which shall prevail over any Chinese language translation in the event of conflict or discrepancy:

The RMB[●] [●] 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 [●] 2019 (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 [●] 2019 (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), Bank of Communications Co., Ltd. Hong Kong Branch as CMU lodging agent (the "**CMU Lodging Agent**", which expression includes any successor CMU lodging 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, the CMU Lodging Agent 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 RMB10,000 (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).

*The Bonds will be represented 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 lodged with a sub-custodian for the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service ("**CMU**"), and will be exchangeable for definitive Bond Certificates only in the circumstances set out therein.*

*For so long as any of the Bonds are represented by the Global Bond Certificate, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (the "**Accountholder**") (in which regard any certificate or other documents issued by the Operator as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Bank, the Fiscal Agent, the Registrar, the Transfer Agent, the Paying Agents, the CMU Lodging Agent and the Operator as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on the Bonds, the right to which shall be vested, as against the Bank, the Fiscal Agent, the Registrar, the Transfer Agent, the Paying Agents, the CMU Lodging Agent and the Operator solely in the holder of the Global Bond Certificate in accordance with and subject to its terms. For so long as any of the Bonds are represented by the Global Bond Certificate and the Global Bond Certificate is held with the CMU, any transfer of principal amounts of Bonds shall be effected in accordance with the rules and procedures for the time being of the Operator.*

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) Ordinance (Cap. 623) of Hong Kong.

(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 CMU.

(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) 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) 29 May 2019 (the "**Issue Date**"), at the Rate of Interest (as defined below) payable semi-annually in arrear on [●] and [●] in each year (each, an "**Interest Payment Date**") commencing on [●] 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**".

(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 [●] 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 Bonds 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 RMB0.01 (RMB0.005 being rounded upwards), where "**Calculation Amount**" means RMB10,000. 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.

In this Condition:

"**business day**" means any day (other than a Saturday and a Sunday) on which the CMU is operating and if on that day a payment is to be made, commercial banks in Hong Kong and Beijing in the PRC are generally open for business and settlement of Renminbi payment.

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, [●].

(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 22 May 2019; 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) *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*).

(d) *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(b) (*Redemption for tax reasons*) above.

(e) *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.

(f) *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**").

For so long as any of the Bonds are represented by the Global Bond Certificate, payments of interest or principal will be made to the persons for whose account a relevant interest in the Global Bond Certificate is credited as being held by the Operator at the relevant time, as notified to the Principal Paying Agent by the Operator in a relevant CMU statement (as defined in the rules of the CMU) or in any other relevant notification by the Operator.

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 22 May 2019 (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 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 six 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, CMU lodging 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 10 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 Conditions, 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 Conditions, 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 Global Bond Certificates are issued and so long as the Global Bond Certificate is held in its entiretly on behalf of the Operator, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to the accountholder shown in a CMU statement issued by the Operator on the business day preceding the date of despatch of such notice as holding interests in the Global Bond Certificate. Any such notice shall be deemed to have been given to the Bondholders on the second business day on which such notice is delivered to the persons shown in the CMU instrument position report.

15. **Governing Law and Jurisdiction**

(a) *Governing Law*: The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be construed in accordance with, the laws of Hong Kong.

(b) *Jurisdiction*: The Bank has in the Fiscal Agency Agreement and the Deed of Covenant, (i) agreed for the benefit of the Agents and the Bondholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) consented to the enforcement of any judgment; and (iv) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

(c) *Service of Process*: The Bank agrees that the documents which start any proceedings and any other documents required to be served in relation to those proceedings may be served on it by being delivered to Bank of Communications Co., Ltd. Hong Kong Branch (the "**Process Agent**") at 20 Pedder Street, Central, Hong Kong, or to such other person with an address in Hong Kong and/or at such other address in Hong Kong as the Bank may specify by notice in writing to the Fiscal Agent. Service upon the Process Agent shall be deemed valid service upon the Bank whether or not the process is forwarded to or received by the Bank. If for any reason the Process Agent shall cease to be able to act as agent of the Bank for service of process in Hong Kong, the Bank shall forthwith appoint a new agent for service of process in Hong Kong and deliver to the Fiscal Agent a copy of the new agent's written acceptance of that appointment within 30 days of that appointment. Nothing in this paragraph shall affect the right of any party to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

The Bonds will be represented by a Global Bond Certificate which will be registered in the name of a nominee of, and deposited with, sub-custodian for CMU.

Under the 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 to the Bondholders in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Bonds.

The Global Bond Certificate will become exchangeable in whole, but not in part, for individual Bond Certificates if (a) CMU 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 the 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 the Global Bond Certificate within five business days of the delivery, by or on behalf of the registered holders of such Global Bond Certificate, CMU, 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 the 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 Global Bond Certificate; or

(2) any of the Bonds evidenced by the 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 the Global Bond Certificate on the due date for payment in accordance with the terms of the 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 CMU (or any other relevant clearing system) as being entitled to interest in the Bonds (each an "**Accountholder**") shall acquire under the deed of covenant dated [●] (the "**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 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 the Global Bond Certificate may have under the Global Bond Certificate or otherwise. Payment to the Holder of the Global Bond Certificate in respect of the Bonds represented by such Global Bond Certificate shall constitute a discharge of the Bank's obligations of the Bonds and the 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 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 Certificate for notices to be given by the Bank to Bondholders.

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

Payment Record Date: The 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 (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 Certificate are being held is open for business.

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

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

Overview

The Bank was incorporated on 19 October 1994 pursuant to the Notice of the State Council on the Establishment of Agricultural Development Bank of China (國務院關於組建中國農業發展銀行的通知) issued on 19 April 1994 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. The Bank was incorporated as the enterprise under ownership by the whole people of the PRC with limited liabilities according the *Law of the People's Republic of China of Industrial Enterprises Owned by the Whole People (2009 Amendment)* (《中華人民共和國全民所有制工業企業法(2009修正)》). 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 2018, the outstanding amount of loans granted by the Bank was RMB5,089.681 billion[1], representing an increase of 9.31 per cent., or RMB433.641 billion, from RMB4,656.04 billion[2] as at 31 December 2017. As at 31 December 2018, the outstanding amount of bonds issued by the Bank was RMB4,201.489 billion, representing an increase of 10.18 per cent. from 31 December 2017. As at 31 December 2018, the Bank's balance of deposits was RMB1,434.936 billion, representing a decrease of RMB18.027 billion compared to 31 December 2017. As at 31 December 2018, the Bank's financial self-sufficiency rate in relation to those funds (outstanding amount of the bonds plus the amount of each types of deposit of the Bank, including the customers' deposits in the Bank and the Bank's deposits with other financial institutions) (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 85.37 per cent., representing a decrease of 3.00 per cent. from 31 December 2017.

As at 31 December 2018, the Bank's outstanding amount of NPL increased by RMB2.8 billion from 31 December 2017 to RMB40.6 billion and the ratio of non-performing loans was 0.80 per cent., representing a decrease of 0.01 per cent. from 31 December 2017. As at 31 December 2018, the outstanding amount of the loan loss provisions was RMB173.197 billion, representing a net increase of RMB24.317 billion; the NPL provision coverage ratio as at 31 December 2018 was 426.25 per cent. representing an increase of 32.57 per cent. from 393.68 per cent. as at 31 December 2017. The cost to income ratio for the year ended 31 December 2018 was 27.01 per cent., representing a decrease of 0.66 per cent. from the year ended 31 December 2017. As at 31 December 2018, the Bank's capital adequacy ratio was 4.22 per cent.

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

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

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 policy-oriented bank 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 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 financial 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.

One of the Main Onshore Issuer

The Bank is one of the largest bond-issuing entities in the PRC domestic market. As at 31 December 2018, the Bank issued financial bonds 1,105 tranches in total, in an aggregated amount of RMB8.008 trillion. In 2018, the Bank issued financial bonds in an aggregated amount of RMB1.11 trillion, along with a total worth of RMB4.18 trillion of bonds outstanding, making the Bank the third largest issuer in China's bond market. In addition, all the payments under the bonds issued by the Bank are on schedule, and no breach occurred in respect of the bonds.

Important Participant in the Market Construction

The Bank is one of the important participants in the market construction that has:

- Issued innovative poverty alleviation bonds: In April 2016, the Bank successfully issued China's first poverty alleviation special financial bonds in the national interbank market;

- Issued "ChinaBond Agricultural Development Bank of China Bond Index": In May 2016, the Bank formally issued the first "Agricultural, Rural Areas and Farmers" bond index in China;

- Started the issuance of the green financial bonds: In December 2016, the Bank issued its first green financial bond. As of the end of 2017, the outstanding amount of the bonds amounted to RMB62.52 billion;

- Issued the first "Bond Connect" financial bonds: In July 2017, in conjunction with the PBOC, the Bank successfully issued first "Bond Connect" bonds totalling RMB16 billion in just 27 days, indicating the "Bond Connect" primary market was opened;

- Opening up the market for counter sales channel of agricultural debts: In July 2017, three tranches of stocks of agricultural bonds entered the counter market for the first time, further enriching the investment choices of the public investors;

- The first issuance of the "Bond Connect" green financial bonds through Shanghai Clearing House, and disclosed on the Luxemburg Stock Exchange: In November 2017, the Bank finished the first single green financial bond issuance under the "Bond Connect", totalling RMB10 billion, promoting green finance and supporting the green industry; In March 2018, the information of the bond was disclosed on the Luxembourg Stock Exchange;

- The first batch of green debt pre-issuance transactions of the Bank successfully reached: In 23 April 2018, the first batch of green debt pre-issuance transactions of the Bank was successfully reached, and on June 28, the pre-issuance method was adopted again to further promote the integration of the first- and second-tier markets and discover the true price of the market;

- In September 2018, the Bank issued its first tranche of dual currency bond and USD bond. In November 2018, the Bank issued its first tranche of EUR green bond which is included in the Solactive Green Bond Index;

- In November 2018, the Bank issued its first financial bond in Shenzhen Stock Exchange;

- In November 2018, the Bank's primary market information was disclosed through "Bond Connect" and outstanding bond information was disclosed on the Luxembourg Stock Exchange; and

- In April 2019, the Bank signed the "Green Investment Principles for the Belt and Road", a set of green investment principles jointly developed by the Green Finance Committee of China Society for Finance and Banking and the City of London Green Finance Initiative.

Awards

In the recent years, the Bank has obtained the following awards:

- Selected and ranked 8th as "the safest bank in the global 50 emerging market countries in 2018" by the US financial magazine *Global Finance*

- "2018 National Poverty Alleviation Award" issued by the Leading Group for Poverty Alleviation and Development of the State Council

- "Top Ten Poverty Alleviation Innovation Model" selected by *China Comment (半月談)*

- "The Best Agricultural, Rural Areas and Farmers" Financial Services Bank of the Year" and the "Best Capital Market Opening and Innovation Contribution Agency" Awards in the "2018 China Financial Institutions Gold List" by *Financial Times*

- "The Successful Offshore Issuance of the First Euro Green Bonds by the Bank" was selected as "Top 10 News of China's Capital Markets in 2018" by the *Financial Times*

- "Best Policy Bank of the Year" awarded by China Banking Industry Development Forum and Bank Comprehensive Evaluation which was held by *Sina Finance*

- "Sustainable Development Pratt & Whitney Award" by *Caijing Magazine*

- "Bond Connect Excellent Issuer" Awards by Bond Connect Company Limited

- "Excellent Member and Excellent Issuer of China Bond" and "Excellent Issuer of China Bond Green Bond Index Sample Bond" of 2018 by China Central Depository & Clearing Co., Ltd.

- "Excellent Issuer (Bank Financial Bond)" and "Innovative Business Promotion Award (Green Bond International Cooperation)" Awards by Shanghai Clearing House

- "Outstanding Contribution Award" of the 2018 Shenzhen Stock Exchange Bond Market by Shenzhen Stock Exchange

- "Excellent Bond Connect Issuer of 2018" by Chinamoney

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 which include Mr. Bao Jian'an, Mr. Lin Li, Mr. Yin Jiuyong, Mr. He Xing Xiang and Mr. Sun Lansheng, assistant to the president, Mr. Zhu Yuanyang, secretary of the board, Mr. Zhou Liangwei and the chief risk officer, Mr. Li Xiaohui) 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 2018, the outstanding amount of NPL of the Bank increased by RMB2.80 billion from 31 December 2017 to RMB40.6 billion. The NPL ratio was 0.80 per cent., representing a decrease of 0.01 per cent. from 31 December 2017.

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 raised 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 RMB17.117 billion for the year ended 31 December 2017 to RMB18.116 billion for the year ended 31 December 2018. The cost to income ratio for the year ended 31 December 2018 was 27.01 per cent., representing a decrease of 0.66 per cent. from the year ended 31 December 2017.

Organisational Structure

The headquarters of the Bank is located in Beijing. As at 31 December 2018, there was a business outlet of the headquarters of the Bank, 31 provincial branches, 338 regional/municipal branches (including the business outlets equivalent to provincial branches) and 1,828 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. The credit business is the Bank's key business, while investment business, international business and funding business are not material in terms of the Bank's profits or losses and assets.

Credit Business

As at 31 December 2018, the Bank granted an aggregate RMB1.56 trillion of loans, with a total loan balance of RMB5.09 trillion, representing an increase of RMB433.6 billion compared to 31 December 2017.

The Bank provides a full range of lending support and services to agriculture-related corporate and institutional customers and other economic entities and is entitled the discretion to some extent in the loan provisions under the government's plan. For example, the Bank provides loan supporting grain, cotton and oil-related products firmly according to the government's plan and requirement without discretion; while in providing loans for projects in support of renovation of shack settlements, the Bank enjoys discretion in deciding the targets and the projects that the loan to be provided to, and the proposed amount of the loan. 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.

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 fully implemented the central government's decision-making and support for poverty alleviation, adhere to the basic strategy of targeted poverty alleviation and poverty alleviation, and establish a full-scale poverty alleviation pattern, 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. Focusing 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)" and the significant issues affecting on themes such as "no more worry about food and clothes, and get guaranteed on compulsory education, basic medical services and residential safety", the Bank strongly supported poverty alleviation through relocation, poverty alleviation through industry and infrastructure and targeted poverty alleviation, and the cooperation of the poverty alleviation in east regions and west regions, and proactively participated in the targeted poverty alleviation action of "10,000 enterprises assisting 10,000 villages". The Bank comprehensively made effort in fixed-point poverty alleviation to constantly improve the quality of the poverty alleviation work.

As to 31 December 2018, the Bank released loans for targeted poverty alleviation totalling RMB389.342 billion and the year-end balance of total loans amounted to RMB1.35 trillion, representing a year-on-year increase of 6.46 per cent. The Bank supports for the poverty-stricken regions improved significantly, and loans totalling RMB55.953 billion were granted for "Three Areas and Three Prefectures" as the poverty-stricken regions and the year-end balance increased by RMB19.716 billion, or 14.04 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 2018, the Bank provided loans amounting to RMB241.183 billion for poverty alleviation through relocation, representing a decrease of RMB11.829 billion compared to beginning of the year. For the previous 608 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) ***Special loans granted for poverty alleviation***

The Bank fully promoted the targeted poverty alleviation credit business and actively supported the poverty alleviation projects such as poverty alleviation projects, poverty alleviation through promotion project, education, health development, tourism, photovoltaic and network in poverty-stricken areas. In 2018, the Bank issued a total of RMB53.009 billion in targeted poverty alleviation loans, with a net increase of RMB42.78 billion over the previous year.

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

The Bank continuously worked on the provision of grain, cotton and edible oil poverty alleviation industry credit, proactively supported the diverse subject to enter into the market for procurement to enrich the local storage of grain, cotton and edible oil, to avoid blank spot in purchase by setting up a "green channel" for the sale of grain to the impoverished population. Loans totalling RMB113.571 billion were granted for poverty alleviation through grain, cotton and edible oil during the year of 2018, represented a net decrease on the balance of RMB51.827 billion, supporting the registered poverty-stricken population of 2.8409 million people, an increase of 142.4 thousand people compared to 2017.

(4) ***Loans for targeted poverty alleviation infrastructure***

Focusing on unresolved issues such as traffic, improvement of water conservancy and living environment, and equalisation of public services, the Bank devoted all efforts to enhance credit service for poverty alleviation through infrastructure and public services. During the year of 2018, loans for targeted poverty alleviation totalling RMB115.17 billion were granted for poverty alleviation through infrastructure during the year, representing a net increase in balance of RMB71.161 billion.

(5) ***Poverty alleviation system of special industry***

The Bank constructed and perfected a poverty alleviation product system for special industries. Throughout the year of 2018, the Bank granted loans for targeted poverty alleviation totalling RMB23.822 billion for industry-leading enterprises in grain, cotton and edible oil industries, RMB13.769 billion for non-grain, cotton and edible oil-industry-leading enterprises, RMB8.189 billion for forestry resources development and protection, RMB12.153 billion for rural land circulation and scale operation, RMB2.344 billion for the poverty alleviation in modern agricultural area, RMB11.6 billion for rural circulation systems, RMB3.43 billion for agricultural science and technology and agricultural production materials.

(6) ***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 2018, 987 enterprises were targeted for 31 provincial branches from the project library of the Bank with loan balance amounting to RMB61.08 billion, which served to motivate and support a poverty population of about 690,000 people. The Bank also provided support to 157 out of 202 demonstration enterprises, with RMB20.392 billion in loans as of 31 December 2018.

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 2018, the Bank released loans totalling RMB127.544 billion supporting various projects of agricultural modernisation, provided support for the construction of high-standard farmland of 5.6231 million mu through innovation model and expanded the green area of national reserve forest bases to 9.2039 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 2018, the Bank provided support for a total of 175 high-standard farmland construction projects and approved loans totalling RMB34.65 billion. It is expected that the newly increased area of high-standard farmland will amount to 5.6231 million mu.

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

The Bank vigorously promoted high-standard farmland construction, fully served for the national strategy of rural vitalization, proactively and effectively enhanced the moderate operation in different forms to help farmer to get rid of poverty and become better off. As at 31 December 2018, the Bank released an aggregate of RMB28.323 billion in loans for the support of rural land transfer and scale operation, and had RMB48.149 billion in loan balance. It is estimated that after the completion of relevant projects, it will be an increase of 5.6231 million mu of the high standard farmland and agricultural acreage.

(3) ***Loans for modern agricultural park***

The Bank actively supports the construction of various types of agricultural and rural parks, promotes the integration of three industries, urban and rural integration, and the development of new agricultural and rural new industries. As to the year ended 2018, a total of RMB4.53 billion of loans for modern agricultural parks have been provided by the Bank; and the balance at the end of the year was RMB4.789 billion.

(4) ***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 2018, the balance of loans for the construction of rural circulation system was RMB45.435 billion, representing an increase of RMB13.626 billion as compared to that of at the beginning of the year.

(5) ***Loans for leading enterprises in non-grain, cutton and oil industry***

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 2018, the Bank released an aggregate of RMB25.901 billion in loans for major industrial enterprises in non-grain, cutton and oil industry and had RMB32.826 billion in loan balance, of which loans for poverty alleviation amounted to RMB15.13 billion.

(6) ***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 2018, the Bank released an aggregate of RMB3.695 billion in loans for agricultural technology innovations, with the balance amounting to RMB4.789 billion.

(7) ***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 2018, the Bank completed related business trials and started to enforce the new policies nationwide with total loans released amounting to RMB14.397 billion and recorded loan balance of RMB37.724 billion.

(8) ***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 2018, four pilot banks of the Bank approved loans totalling RMB6.34 billion and released RMB3.477 billion in loans, with a loan balance of RMB5.173 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 2018, the Bank released loans totalling RMB787.35 billion for infrastructure. As at 31 December 2018, balance of loans for infrastructure amounted to RMB2.60 trillion, representing a net increase of RMB444.93 billion compared to 2017.

(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 RMB987.5 billion for renovation of shack settlements and released RMB587.6 billion in loans, representing a net increase of RMB531.6 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 RMB33.51 billion in loans to finance 231 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 RMB39.81 billion in loans for rural transportation to finance 207 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 RMB28.77 billion in loans for improving living environment to finance 188 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 RMB76.76 billion in loans for integrated construction of urban and rural areas in the year of 2018. As at 31 December 2018, the balance of loans amounted to RMB580.77 billion.

(6) ***Loans for eco-environmental construction***

In accordance with the requirements of "promoting green development, focusing on solving outstanding environmental problems, and strengthening the protection of ecosystems", the Bank comprehensively strengthened ecological environmental protection and strengthened support for pollution prevention and control to support ecological restoration, environmental protection and pollution control projects, and focused on the actual action to support the win-win battle for the realization of the blue sky and clear water. In 2018, the Bank approved the eco-environment construction loan of RMB14.91 billion, granted loans of RMB5.08 billion, and supported 47 ecological environment construction projects.

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.

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. For the year ended 31 December 2018, revenues from intermediary business amounted to RMB320 million, representing a decrease by 21 per cent. or RMB82 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. As of the end of 2018, the Bank as the lead managers has successfully issued 4 tranches debt financing instruments for non-financial enterprises, with a total amount of RMB4.5 billion, and realized breakthrough of issuance such as in short-term commercial paper, commercial paper, medium term note and private placement note. In 2018, the Bank did not issue any new credit asset securitization product, and the only one tranche of credit asset securitization product of the Bank which is in survival period is under normal payment on schedule.

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 2018, the Bank launched a total of 24 wealth management products for enterprises. As of 31 December 2018, all the mature products are under settlement according to the schedules, and the principal amount paid to the customers was RMB6.43 billion in total, with the customers' returns totalling RMB86.368 million and the wealth management business income RMB36,432,700. In terms of the tenors, there are 15 tranches financial products' tenor in 1-3 months, including four in 2015, three in 2016, five in 2017, three in 2018, and six in 3-6 months. Among them, there are two tranches in 2015, three in 2017, and one in 2018; three financial products' tenor in 6 months to 1 year, including one in 2015 and two in 2016. On April 27, 2018, after the release of the "Guiding Opinions on Regulating Asset Management Business of Financial Institutions", the Bank actively responded to the requirements of new regulatory regulations, formulated rectification plans, revised related systems, and designed wealth management products that met new regulatory requirements.

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.

As of 31 December 2018, there were 17 stocks projects of China Agricultural Industry Development Fund, with a stock volume of RMB2.679 billion; 22 stocks projects of Modern Seed Development Fund, with a stock scale of RMB1.262 billion. In April 2018, the Ministry of Finance initiated jointly with 20 financial institutions to establish National Financial Guarantee Fund Co., Ltd. The fund raised in the first phase RMB66.1 billion, among which the central government injected RMB30 billion, accounting for 45.39% of the shares, and 20 financial institutions jointly invested RMB36.1 billion. The Bank has subscribed for a capital contribution of RMB1 billion, accounting for 1.51% of the shares. In November 2018, according to the requirements of the Ministry of Finance, the Bank completed the payment of the first phase of the capital contribution of RMB250 million.

International Business

The Bank's international business system includes international settlements in respect of the import and export trade and non-trade, and the capital, and relevant business such as foreign currency deposits, foreign exchange remittances, foreign exchange interbank borrowing, settlement and sales, and other foreign exchange lending business upon approval.

In 2018, the Bank handled an aggregated total of 49,076 international settlements that valued a total of USD11.029 billion. In the same year, the Bank's trade finance business was valued at USD1.503 billion; and revenues from foreign exchange business were RMB136 million.

In 2018, Moody's Investors Service, Inc. ("**Moody's**") and 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 2018:

	Rating Agency	Rating for China's Sovereign Debt	Rating for the Bank
2018	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 2018, the Bank raised a total of RMB1.11 trillion, providing powerful support for all areas of business development. As at 31 December 2018, interest-bearing liabilities of the Bank totalled RMB6.59 trillion, representing an increase by 10.48 per cent. or RMB0.63 trillion as compared with that as at 31 December 2017.

Credit Rating

According to the Articles of Associations of the Bank established by the state, the Bank is a state-owned policy-oriented statutory financial institution which is a separate legal entity under the direct authority of the State Council and aims to support the sustainable and healthy development of the agricultural industry and rural areas. With credit support from the state, the Bank plays a major and key role in rural financial system, provides further support for key areas and weak links in agriculture and rural areas, and promotes the sustainable and healthy development of economy and society. The bonds issued by the Bank are categorised as policy bonds and are supported by state credit. 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. According to the Special Decree, the Bank is a policy-oriented statutory financial institution under the direct authority of the State Council. 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 preference taxation policy which is aiming to support "Agricultural, Rural Areas and Farmers" is applicable to the Bank.

Article 59 of the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)* promulgated and implemented by CBRC 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 2018, interest-bearing liabilities of the Bank reached RMB6.59 trillion, representing an increase of RMB0.63 trillion from 31 December 2017.

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 stable 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 2017 and 2018 is RMB27.101 trillion and RMB21.435 trillion, 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, and investor's option bonds, which are in global public offering by means of open tender, scrolling additional issuance etc.

As at 31 December 2018, the Bank issued 1,105 batches of financial bonds in the PRC and raised approximately RMB8,008.16 billion in total; issued ten batches of financial bonds in Hong Kong and raised an aggregate principal amount of approximately RMB12.2 billion; issued one tranche of USD bonds and raised an aggregate principal amount of USD0.7 billion; issued one tranche of EUR bonds and raised an aggregate principal amount of EUR0.5 billion; and redeemed financial bonds in the PRC and offshore totalling approximately RMB3,824.51 billion and RMB11 billion respectively. As at 31 December 2018, the weighted average maturity of bonds outstanding was 3.94 years. In 2018, the Bank issued 195 batches of financial bonds in the PRC and raised an aggregate principal amount of approximately RMB1,110.0 billion, and redeemed bonds worth approximately RMB737.8 billion in total. In 2018, the weighted average term of bonds issued by the Bank was 5.02 years, the average issue cost was 4.06 per cent. and the average subscription rate was 3.23 times.

Deposits of Enterprises

As at 31 December 2018, the balance of foreign and domestic deposits of enterprises with the Bank reached approximately RMB1,282.347 billion, representing a decrease of RMB36.474 billion, or 2.77 per cent., from 31 December 2017. As at 31 December 2018, the balance of RMB deposits of enterprises with the Bank reached RMB1,281.84 billion, representing a decrease of RMB36.156 billion, or 2.74 per cent., from 31 December 2017.

Fiscal Deposits

As at 31 December 2018, the balance of fiscal deposits and special deposits of the Bank amounted to approximately RMB152.589 billion, representing an increase of RMB18.448 billion, or 13.75 per cent., from 31 December 2017.

Interbank Time Deposits

As at 31 December 2018, the balance of interbank time deposits of the Bank amounted to approximately RMB285.005 billion (including RMB285 billion deposits of the onshore SPVs), representing an increase of RMB283.127 billion, or 156.76 times, from 31 December 2017.

Fund Management

Interest Rate Management

For the year ended 31 December 2018, the Bank's weighted average interest rate of loans was 4.87 per cent. (excluding Tibet branch, discount and rediscount according to PBOC's requirement on statistics reporting), representing an increase of 0.12 per cent. from the year ended 31 December 2017.

Other Business

The Bank's other businesses include funds 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.

Funds Transactions Business

The funds transaction business of the Bank mainly consists of inter-bank borrowing, bond repurchase, inter-bank deposit, bill transaction, investment in bonds and other businesses. For the year ended 31 December 2018, the total amount of funds transactions business conducted by the Bank was approximately RMB21.44 trillion, representing a decrease of approximately RMB5.67 trillion from the year ended 31 December 2017. The total amount of transactions includes approximately RMB20.04 trillion from the short-term currency market business (including interbank borrowings and bonds repurchase) which represents 93.47 per cent. of the total amount, approximately RMB168.528 billion from the note trading business which represents 0.79 per cent. of the total amount and approximately RMB1.23 trillion from interbank and bond trading business which represents 5.74 per cent. of the total amount. For the year ended 31 December 2018, the amount of the transaction in foreign exchange funds conducted by the Bank in the interbank foreign exchange market reached to USD6.263 billion, representing an increase of USD1.025 billion compared to the year ended 31 December 2017.

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, and make loans) to different departments at different levels with different authorities.

Loan Responsibility Management

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

Centered on the basic procedures of conducting its lending business, the Bank has implemented a three-level (namely, the performer level, the reviewer level and the approver level) loan due diligence management system for its lending business.

The performer is the specific operator of each aspect of the lending business. If there are multiple performers in each of the tasks such as due diligence, examination, and loan supervision, the department in charge shall determine the person in charge and the coordinators, and the person in charge shall bear the main responsibility.

The reviewer reviews and verifies the work of the performer. If there is more than one reviewer in the same aspect of the business, the chief reviewer shall make the final review, and the other reviewers shall be the assistant reviewers, among which the chief reviewer bears the main responsibility.

The approver has the right to make decisions on each aspect of the lending business. The chairman of the Loan Review Committee (hereinafter referred to as the "Loan Review Committee") or the deputy chairman of the Loan Review Committee shall bear the main responsibility for the deliberation and approval of the lending business.

According to the Measures for the Due Diligence Management of the Lending Business of the Agricultural Development Bank of China 2018 Amendment (No. 327 of 2018) and the Agricultural Development Bank of China General Rules of Loans 2017 Amendment (No. 140 of 2017), 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 special 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.

For any lending business which is subject to the review of the Loan Review Committee Meeting, the risk level of the projects and the targets are the main criteria in considering whether such loan is subject to the review. In addition, as the loan review committee is established in the Bank, and the branches at province level and city level, the loan review committee in each level will set out detailed criteria according to the practice.), 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 responsible customer service manager will deliver the loan contract or agreement to the authorised signatories of the lender and the borrower for signing after the Bank is permitted by the supervision procedure of the contract. After the Bank has agreed on the conditions of the loan with the customer pursuant to the relevant review and approval comments, the loan will be disbursed. 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 2018, the Bank recovered NPL worth RMB89.7278 million by waiving off-balance-sheet overdue interest, representing an increase of RMB68 million from the year ended 31 December 2017.

Asset Quality and Loan Loss Provisions

(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. The breakdowns of the outstanding loans of the Bank classified as "Normal", "Special Mention", "Substandard", "Doubtful" and "Loss" are set out below:

Classification	**Outstanding amounts**
	(Unit: ten thousand RMB)
Normal	457,575,964.53
Special Mention	47,300,056.48
Substandard	383,250.94
Doubtful	3,405,429.55
Loss	274,052.50

As at 31 December 2018, the outstanding amount of NPL of the Bank increased by RMB2.80 billion from 31 December 2017 to RMB40.6 billion. The NPL ratio was 0.80 per cent., representing a decrease of 0.01 per cent. from 31 December 2017. For the year ended 31 December 2018, the annual total recovery of non-performing loans by cash reached RMB4.2 billion, representing an increase of RMB0.13 billion from the year ended 31 December 2017.

The information of collaterals and/or guarantees in the loans of the Bank as to the year ended 31 December 2018 is set out below:

Types of collateral of the loans	Amount
	Unit: RMB Yuan
Unsecured loans	2,152,812,837,183.45
Guaranteed loans	1,202,755,588,922.31
Mortgage loans	526,077,061,425.57
Pledged loans	1,208,036,011,998.44
Total Loans and advances to customers	5,089,681,499,529.77

(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 RMB1.727 billion as at 31 December 2018 and the letter of credit which totalled RMB2.563 billion as at 31 December 2018) 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 2018, the loan loss provision made by the Bank recorded a net increase of RMB32.976 billion, representing a decrease of RMB9.092 billion from the year ended 31 December 2017. As at 31 December 2018, the outstanding amount of the Bank's loan loss provision was RMB173.197 billion, and the loan loss provision coverage was 409.40 per cent., representing an increase of 15.72 per cent. from 31 December 2017. In addition, for the year ended 31 December 2018, the outstanding amount of the provisions for write-down of assets for debt payment was RMB3.941 billion, representing an increase of RMB2.435 billion from 31 December 2017.

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 2018, the Bank has employed approximately 52,202 staff.

Properties

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

The operations of the Bank are currently managed by one chairman, one vice chairman, five vice presidents, one assistant to president, one secretary of the board and one chief risk officer.

The chairman, vice chairman, president and vice presidents are appointed by the State Council. The business address of the management of the Bank is at A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, China.

The Bank's Party Committee is the highest decision-making authority of the Bank, which is responsible for the management of the Bank's day to day operation. As at the date of this Offering Circular, there are eight members.

The following table sets forth the members of the Party Committee as well as their roles as at the date of this Offering Circular:

Name	Position
Mr. Xie Xuezhi	Secretary of the Party Committee, Chairman
Mr. Qian Wenhui	Deputy secretary of the Party Committee, Vice Chairman and President
Mr. Bao Jian'an	Member of the Party Committee, Vice President
Mr. Lin Li	Member of the Party Committee, Vice President
Mr. Yin Jiuyong	Member of the Party Committee, Vice President
Mr. He Xingxiang	Member of the Party Committee, Vice President
Mr. Wang Zhaohe	Member of the Party Committee, Leader of the Committee for Discipline Inspection under the Central Commission for Discipline Inspection
Mr. Sun Lansheng	Member of the Party Committee, Vice President

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.

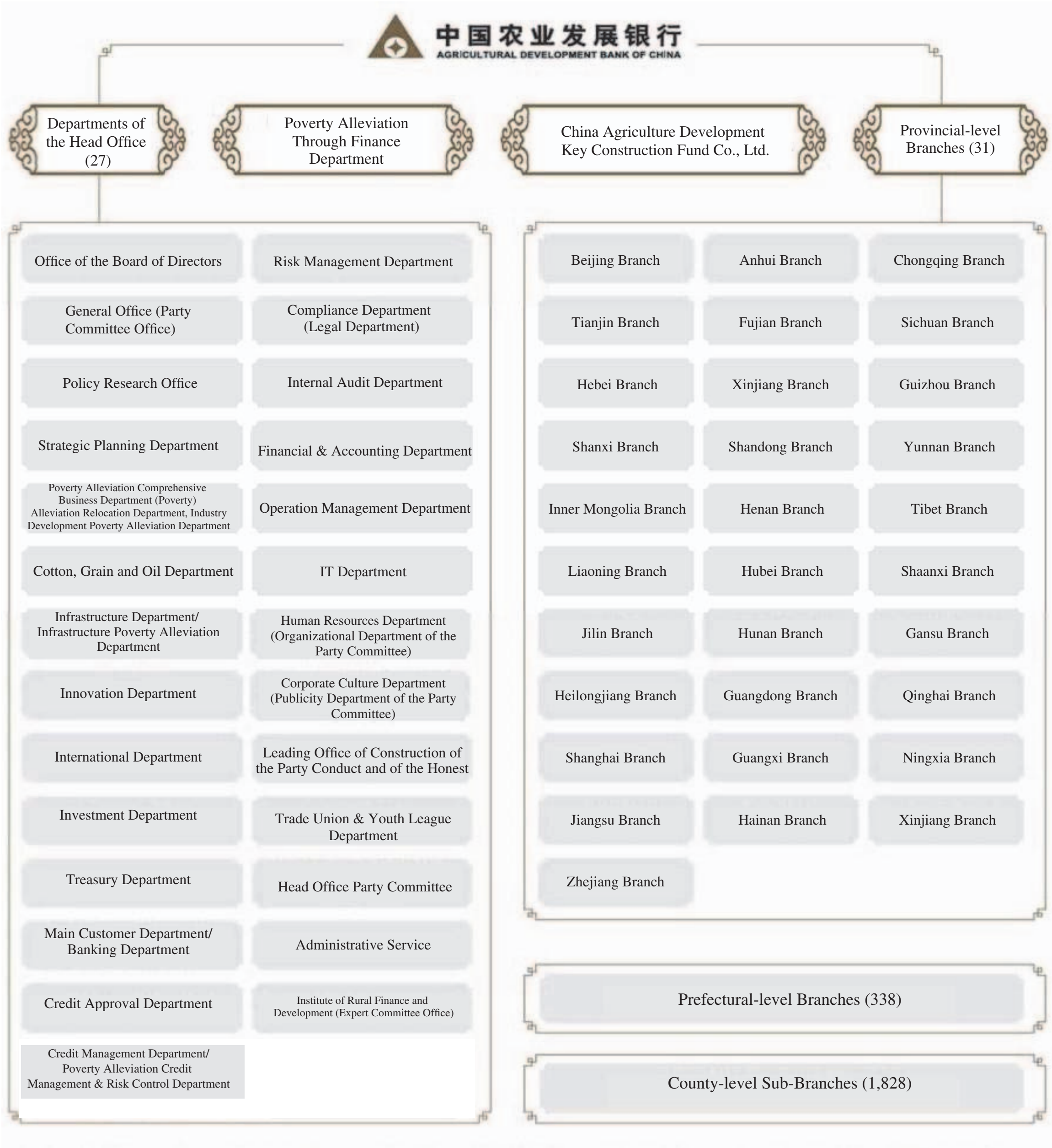
Board of Supervisors

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 is in charge of Poverty Alleviation Comprehensive Business Department, Poverty Alleviation Relocation Department, Industry Development Poverty Alleviation Department, Infrastructure Poverty Alleviation Department and Poverty Alleviation Credit and Risk Control Department.)

Biographies of the Chairman, Vice Chairman, President, Executive Director, Vice Presidents, Assistant to President and Secretary of the Board and the Chief Risk Officer

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 Xuezhi**, Chairman*. Dr. Xie was appointed as secretary of the Party 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, and concurrently the director of the Poverty Alleviation Finance Department*. Mr. Qian was appointed as deputy secretary of the Party 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 the Party Committee and the chairman of Supervisory Board of Industrial and Commercial Bank of China from February 2015 to December 2017. He was concurrently appointed as the director of the Poverty Alleviation Finance Department from July 2018.

***Mr. Bao Jian'an**, Vice President and concurrently the vice director of the Poverty Alleviation Finance Department*. Mr. Bao was appointed as a vice president of the Bank and a member of the Party 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. He was appointed as the vice director of the Poverty Alleviation Finance Department from May 2016.

***Mr. Lin Li**, Vice President*. Dr. Lin, was appointed as a vice president of the Bank and a member of the Party 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. From January 2014, he served as the member of the Party Committee and the vice president of the Bank and from February 2018, he served as the executive director, the member of the Party Committee and the vice president of the Bank.

Mr. Yin Jiuyong*, Vice President*. Dr. Yin was appointed as a vice president of the Bank and a member of the Party 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 the Party 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. Wang Zhaohe, the member of the Party Committee, the leader of the *Committee for Discipline Inspection of the Bank under the Central Commission for Discipline Inspection*. With a Doctor's degree, Mr. Wang began his career in August 1985. He was formerly the vice director who took charge of the work, and the director of the organization department of the Party Committee in Dalian Maritime University from April 1994 to March 1996. From March 1996, he served as the member of the standing committee of the Party Committee, the director of organization department and the assistant principal of Dalian Maritime University. He was appointed as the deputy secretary of the Party Committee of Dalian Maritime University in December 1997. From December 1998, he acted as the deputy secretary and the secretary of Committee for Discipline Inspection in Dalian Maritime University, and the deputy principal from December 2000, and took charge of the work of Party Committee from December 2004. In May 2005, he was appointed as the secretary of the Party Committee and the principal of the university. From May 2011, he was appointed as the member of the standing committee of the Party Committee and the secretary of Committee for Discipline Inspection of China FAW Group. Mr. Wang was appointed as leader of the Committee for Discipline Inspection of the Bank under the Central Commission for Discipline Inspection and member on the Party Committee of the Bank in January 2019.

Mr. Sun Lansheng*, Vice President*. Mr. Sun was appointed as a member of the Party 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. In July 2018, Mr. Sun resigned from the position as the chief risk officer of the Bank.

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. From March 2016, he served as the assistant to president of the Bank.

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.

Mr. Li Xiaohui, *Chief Risk Officer.* Mr. Zhu began his career in August 1985 and successively held the position as the secretary of deputy director level, and the secretary of director level in the office division of the Office for National Statistics from November 1993. He was appointed successively as the director of staff education division under the human resources and education department (organization department of the Party Committee) and the director of Labor and wage division after he started to work in the Bank from October 1998. In December 2000, Mr. Zhu started to hold the position as the deputy head of the human resources and education department and the vice director of the organization department of the Party Committee of the Bank and from January 2005, he was appointed as the vice general manager of the human resources department of the Bank. He was appointed as the vice president and the member of the Party Committee of Yunnan branch of the Bank from March 2008, and as the vice president, Secretary of Committee for Discipline Inspection and the member of the Party Committee of Beijing branch of the Bank in January 2010. Mr. Zhu started to hold the position as the general manager of the legal and compliance department of the Bank from January 2014, and the president and the secretary of the Party Committee of Liaoning branch of the Bank from October 2015. In December 2017, he was appointed as the general manager of the human resources department and the director of the organization department of the Party Committee of the Bank. Mr. Li was appointed as the chief risk officer of the Bank in January 2019.

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 OF BONDS

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 further amended on 31 August 2018 and took effect on 1 January 2019, 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 will on a best efforts basis 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. The specific policies shall be subject to the competent authorities.

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 SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Bank included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Bank. The Bank is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure as to the difference between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Bank, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, there is no assurance that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Bank, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

FINANCIAL INSTRUMENTS

IFRS 9 — financial instruments is effective for the annual reporting period commencing 1 January 2018.

On 31 March 2017, the MOF issued revised the Accounting Standards for Business Enterprises No. 22 — Recognition and measurement of financial instruments, Accounting Standards for Business Enterprises No. 23 — the Transfer of a financial asset and Accounting Standards for Business Enterprises No 24 — Hedging accounting (the "**new PRC Financial Instrument Standards**").

According to the transition requirements of the new PRC Financial Instrument Standards, as the Bank is not listed either domestic or overseas, the Bank is not required to implement the new PRC Financial Instrument Standards till 1 January 2021.

There is no substantive difference between the new PRC Financial Instrument Standards and IFRS 9 except for the effective date illustrated as above.

At present, the Bank is using the Accounting Standards for Business Enterprises No. 22, 23 and 24 issued by the MOF on 15 February 2006 (the "**existing Financial Instrument Standards**").

Under the existing Financial Instrument Standards, there are four categories for financial assets at initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Bank's intention and ability to hold the financial assets. Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and amortised cost. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value are recognised in profit or loss. The impairment model requires the recognition of impairment based on only incurred credit losses.

Under the new PRC Financial Instrument Standards and IFRS 9, there are three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("**OCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI in which case the accumulated fair value changes in OCI will not be recycled to the profit or loss in the future, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

The new PRC Financial Instrument Standards and IFRS 9 introduce a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitute a change from the incurred loss model in the existing Financial Instrument Standards. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ("**ECL**") resulting from default events that are possible within the next 12 months ("**12-month ECL**"). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("**lifetime ECL**"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in "stage 3".

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under the existing Financial Instrument Standards.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Bank's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

The Bank estimates that the adoption of the new PRC Financial Instrument Standards will have an impact on the shareholder's equity and the carrying amount of the financial instruments at the beginning of 2021. The Bank is still assessing the full impact of adopting of the new PRC Financial Instrument Standards.

SUBSCRIPTION AND SALE

Note: This entire section is only applicable to the Institutional Offering. Investors who are applying for the Retail Bonds should disregard this section.

The Bank will be entering into a subscription agreement with the Joint Lead Managers expected to be on 22 May 2019 (the "**Subscription Agreement**"). Pursuant to the Subscription Agreement and subject to certain conditions contained therein, the Bank will agree to sell to the Joint Lead Managers, and the Joint Lead Managers will agree to, severally but not jointly, subscribe and pay for or to procure subscribers to subscribe and pay for, the Institutional Bonds. of their respective principal amounts as set out in the Subscription Agreement.

The Subscription Agreement will provide 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 Institutional Bonds; (2) the Bank will pay each Joint Lead Manager a management commission in respect of the Institutional Bonds subscribed by it; and (3) the Bank may pay certain third parties (such as the Agents) certain fees and expenses. The Subscription Agreement will provide 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 will represent, warrant and undertake that it has not offered or sold and will not offer or sell any Institutional 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 Institutional 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 will represent and agree that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Institutional Bonds other than (1) to "professional investors" as defined in 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 Institutional 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 Institutional 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 will represent, warrant and undertake that the Institutional 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 Institutional 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 will represent, warrant and undertake that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Institutional 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 will represent, warrant and undertake 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 Institutional 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 Institutional Bonds in, from or otherwise involving the United Kingdom.

SINGAPORE

Each of the Joint Lead Managers will acknowledge 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 will represent, warrant and agree that it has not offered or sold any Institutional Bonds or caused the Institutional Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Institutional Bonds or cause the Institutional 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 Institutional 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)), as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, 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 Institutional 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Institutional Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

TAIWAN

The Institutional 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 Institutional Bonds in Taiwan. The Institutional 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 Institutional Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Institutional 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 Institutional Bonds in Macau. The Institutional 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 Bonds have been accepted for clearance through CMU with the CMU Instrument Number BCMKFB19020, ISIN HK0000502689 and Common Code number 199606549.

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 Deed of Covenant and the Fiscal Agency Agreement, including (i) the written resolutions of the 17th Party committee's work conference meeting of the Bank dated 16 April 2019; (ii) the registration with NDRC in accordance withe the NDRC Circular with respect to the issuance of the Bonds; and (iii) the approval from the PBOC dated 26 March 2019 obtained by the Bank in respect of the Bonds. The Bank has authorised Mr. Xie Xuezhi and Ms. Liu Youhui as the representatives acting on behalf of the Bank in connection with the offering of the Bonds. The business address of Mr. Xie Xue Zhi and Ms. Liu Youhui is A2 Yuetanbeijie Street, Xicheng District, Beijing 100045, PRC.

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**: 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 2018.

6 **Litigation**: As at the date of this Offering Circular, neither the Bank or its subsidiaries 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 26 March 2019, the registration certificate issued by the NDRC and the Extract of the Articles of Association of the Bank will be available for inspection and collection 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 and at the office of the Fiscal Agent at 20 Pedder Street, Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding. Copies of the Bank's auditor's report for the year ended 31 December 2017 and auditor's report for the year ended 31 December 2018 will be available for inspection and collection 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 translations of the Group's Audited Consolidated Financial Statements, which have been audited by Grant Thornton (in respect of the Group's 2017 Audited Consolidated Financial Information) and PwC (in respect of the Group's 2018 Audited Consolidated Financial Information) stated in their respective reports appearing therein and dated 15 May 2018 and 30 April 2019 respectively, are included elsewhere in this Offering

Circular. The Bank's Audited Consolidated Financial Statements 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.

Grant Thornton and PwC, the former and the current independent accountants and auditors of the Bank respectively, have given and have not withdrawn their written consent to the inclusion of their reports dated 15 May 2018 and 30 April 2019 respectively in this Offering Circular, in the form and context in which they are included. Neither Grant Thornton or PwC have any shareholding in the Bank.

9 **Listing:** Application has been made to the SEHK for the listing of, and permission to deal in the Bonds and such permission is expected to become effective on the Listing Date.

INDEX OF FINANCIAL STATEMENTS

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Grant Thornton
Certified Public Accountants
Postal Address: 5/F SCITECH Place, No. 22, Jianguomengwai Street, Chaoyang District, Beijing, China
Post code: 100004
Tel: +86 10 8566 5588
Fax: +86 10 8566 5120
Web: www.grantthornton.cn

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 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 if 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

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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 Consolidated	2017 Parent	2016 Consolidated	2016 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

Currency: CNY

Items	2017								
	Equity attributable to owners of the company							Non-controlling interests	Total owner's equity
	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**	**27,413,480,537.82**		**118,500,785,254.13**
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**	**27,413,480,537.82**		**118,500,785,254.13**
Ⅲ.Increases and decreases of this year (with "-" for decreases)				**-27,817,822.71**	**1,711,826,414.72**		**15,406,437,732.50**		**17,090,446,324.51**
(1) Total comprehensive income				-27,817,822.71			17,118,264,147.22		17,090,446,324.51
(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		-1,711,826,414.72		
1. Appropriation of surplus reserve					1,711,826,414.72		-1,711,826,414.72		
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**	**42,819,918,270.32**		**135,591,231,578.64**

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, 2016

Prepared by：Agricultural Development Bank of China

Currency: CNY

Items	2016								
	Equity attributable to owners of the company							Non-controlling interests	Total owner's equity
	Paid-in capital	Capital Reserves	Less: treasury stock	Other comprehensive income	Surplus reserves	General risk preparation	Retained earnings		
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**	**12,827,038,496.64**		**102,249,543,970.48**
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**	**12,827,038,496.64**		**102,249,543,970.48**
Ⅲ.Increases and decreases of this year (with "-" for decreases)		**5,540,523.46**		**38,542,936.65**	**1,620,715,782.36**		**14,586,442,041.18**		**16,251,241,283.65**
(1) Total comprehensive income				38,542,936.65			16,207,157,823.54		16,245,700,760.19
(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		5,540,523.46
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							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**	**27,413,480,537.82**		**118,500,785,254.13**

Chairman of Board (Legal representative)：

Vice president in Charge of the Accounting Work:

Person in Charge of the Accounting Department：

Parent Statement of Changes in Equity

For the Year Ended December 31, 2017

Prepared by：Agricultural Development Bank of China

Currency: CNY

Items	2017							
	Paid-in capital	Capital reserves	Less: treasury stock	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owner's equity
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**	**27,410,901,079.19**	**118,497,919,188.98**
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**	**27,410,901,079.19**	**118,497,919,188.98**
Ⅲ.Increases and decreases of this year (with "-" for decreases)				**-27,817,822.71**	1,711,698,374.38		**15,405,285,369.42**	**17,089,165,921.09**
(1) Total comprehensive income				-27,817,822.71			17,116,983,743.80	17,089,165,921.09
(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		-1,711,698,374.38	
1. Appropriation of surplus reserve					1,711,698,374.38		-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**	**42,816,186,448.61**	**135,587,085,110.07**

Chairman of Board (Legal representative)： **Vice president in Charge of the Accounting Work:** **Person in Charge of the Accounting Department：**

Parent Statement of Changes in Equity

For the Year Ended December 31, 2016

Prepared by : Agricultural Development Bank of China

Currency: CNY

Items	2016							
	Paid-in capital	Capital reserves	Less: treasury stock	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total owner's equity
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**	**12,825,528,566.48**	**102,247,866,270.30**
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**	**12,825,528,566.48**	**102,247,866,270.30**
Ⅲ.Increases and decreases of this year (with "-" for decreases)		**5,540,523.46**		**38,542,936.65**	**1,620,596,945.86**		**14,585,372,512.71**	**16,250,052,918.68**
(1) Total comprehensive income				38,542,936.65			16,205,969,458.57	16,244,512,395.22
(2) Capital invested and reduced by the owners		5,540,523.46						5,540,523.46
1. Capital invested by the owners								
3. Share-based payments recognised in equity								
4. Others		5,540,523.46						5,540,523.46
(3) Profit distribution					1,620,596,945.86		-1,620,596,945.86	
1. Appropriation of surplus reserve					1,620,596,945.86		-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**	**27,410,901,079.19**	**118,497,919,188.98**

Chairman of Board (Legal representative)： **Vice president in Charge of the Accounting Work:** **Person in Charge of the Accounting Department：**

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.

NoteⅢ 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 effect 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:

①significant financial difficulty of the issuer or obligor;

① a breach of contract, such as a default or delinquency in interest or principal payments;

③the 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;

⑥observable 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.

⑦a 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 leasee

Lease payments for an operating lease to which the Bank is the leasee 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 leasor

Rental income from an operating lease to which the Bank is the leasor 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 AgriculturalLoans 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 Policieson 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.

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.

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**

（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 liabiities 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.

9. Held-to-maturity investments

Item	C/f			B/f		
	Gross amount	Allowance for impairment losses	Carrying amounts	Gross amount	Allowance for impairment losses	Carrying amounts
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	3,552,800,000.00	451,414,989,187.50
Bonds	5,256,972,017.81	--	5,256,972,017.81	3,160,000,000.00	--	3,160,000,000.00
Asset-backed securities	--	--	--	25,320,000.00	--	25,320,000.00
Certificates of deposits	92,456,629,274.44	--	92,456,629,274.44	76,828,886,533.57	--	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**	**3,552,800,000.00**	**531,429,195,721.07**

10. Financial assets classified as receivables

Item	C/f	B/f
Self-sustaining part of asset-backed securities	300,495,872.25	366,592,500.00
Debt securities	426,668,629,960.00	309,066,510,000.00
subtotal	426,969,125,832.25	309,433,102,500.00
Less: Allowance for impairment losses	--	--
Carrying amounts	**426,969,125,832.25**	**309,433,102,500.00**

Note: Details of Credit Asset Securitization in Ⅴ.8.

11. Long-term equity investments

Item	B/f	Currency year movement								C/f	Allowance c/f
		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	Others		
Investment in associates:											
China Agricultural Industry Development Fund Co., Ltd.	1,025,365,123.25	--	--	-15,485,281.04	--	--	--	--	--	1,009,879,842.21	--
Modern Seed Industry Development Fund Co., Ltd.	552,549,818.55	--	--	1,064,141.39	-27,817,822.71	--	--	--	--	525,796,137.23	--
Beijing Xiannong Cci Capital Ltd	12,504,737.76	--	--	1,579,083.29	--	--	3,200,000.00	--	--	10,883,821.05	--
Total	**1,590,419,679.56**	**--**	**--**	**-12,842,056.36**	**-27,817,822.71**	**--**	**3,200,000.00**	**--**	**--**	**1,546,559,800.49**	**--**

12. Fixed assets

Item	Houses and buildings	Transportation equipment	Computers and ancillary equipment	Other machinery and equipment	Construction in progress	Total
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	3,690,408,217.82	26,232,839,113.76
2. Increased in current year	1,945,453,220.58	18,112,318.49	84,297,494.48	456,079,425.12	2,007,223,363.11	4,511,165,821.78
3. Decreased in current year	462,121,180.68	20,299,124.20	150,848,171.14	120,419,776.06	3,023,469,241.92	3,777,157,494.00
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	2,674,162,339.01	26,966,847,441.54
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	--	9,453,434,405.05
2. Increased in current year	500,807,724.25	154,527,723.61	185,481,290.82	403,686,319.71	--	1,244,503,058.39
3. Decreased in current year	66,286,452.09	9,049,430.85	139,392,699.64	107,311,337.97	--	322,039,920.55
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	--	10,375,897,542.89
Impairment allowance						
1. Balance as at 31/12/2015	10,754,707.47	--	--	--	4,087,568.37	14,842,275.84
2. Increased in current year	5,073.63	--	--	--	--	5,073.63
3. Decreased in current year	8,298,767.56	--	--	--	--	8,298,767.56
4. Balance as at 31/12/2016	2,461,013.54	--	--	--	4,087,568.37	6,548,581.91
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	2,670,074,770.64	16,584,401,316.74
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	3,686,320,649.45	16,764,562,432.87

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**

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 foreing banks	--	--
Total		**21,920,226.30**

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**

（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 benefis	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**

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**

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 derease	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 derease	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**

31. General risk reserve

Item	B/f	Current year increase	Current year derease	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**

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.

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 pleged 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**

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**

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 pior 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**

（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.

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

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

（2）Key financial information of significant associate:

Item	China Agricultural Industry Development Fund Co., Ltd		Modern seed industry fund development Co., Ltd.		Beijing Xiannong Cci Capital Ltd	
	C/f	**B/f**	**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	41,734,857.33	43,369,828.67
Non-current assets	2,862,797,474.00	2,885,773,026.71	1,312,429,792.65	1,060,015,054.19	529,527.20	630,069.97
Total assets	**4,038,066,694.91**	**4,113,202,584.16**	**2,600,831,152.80**	**1,700,615,856.77**	**42,264,384.53**	**43,999,898.64**
Current liabilities	-1,830,577.64	11,742,091.17	1,012,391,523.66	4,253,828.21	15,054,831.90	12,738,054.25
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**	**15,054,831.90**	**12,738,054.25**
Net assets	4,039,519,368.85	4,101,460,492.99	1,577,546,166.34	1,657,815,237.21	27,209,552.63	31,261,844.39
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	27,209,552.63	31,261,844.39
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	10,883,821.05	12,504,737.76
Carrying amounts	1,009,879,842.21	1,025,365,123.25	525,796,137.23	552,549,818.55	10,883,821.05	12,504,737.76

Continued:

Item	China Agricultural Industry Development Fund Co., Ltd		Modern seed industry fund development Co., Ltd.		Beijing Xiannong Cci Capital Ltd	
	Current year	**Prior year**	**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	23,288,382.87	22,629,555.71
Net profit	-46,640,088.94	22,901,343.43	3,192,743.44	9,453,653.91	3,947,708.24	4,220,178.10
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	3,947,708.24	4,220,178.10
Dividends received from associates	--	--	--	--	3,200,000.00	--

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.

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.

(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	Impairment provision	Total
Deposit in the Central Bank	168,104,791,229.79	--	--	--	168,104,791,229.79
Deposit and placement with banks and interbank loans	274,957,674,818.03	--	--	1,564,434.50	274,956,110,383.53
Financial assets valued at fair value through profit and loss	1,203,866,690.74	--	--	--	1,203,866,690.74
Financial derivatives	2,840,907.67	--	--	--	2,840,907.67
Financial assets held under resale agreements	211,903,186,000.00	--	--	--	211,903,186,000.00
Interests receivable	18,830,941,733.12	--	--	--	18,830,941,733.12
Loans and advances	4,610,952,271,107.59	7,270,417,389.46	37,817,586,235.42	148,879,755,772.96	4,507,160,518,959.51
Financial assets held for sale	--	--	--	--	--
Held to maturity investments	532,910,743,008.02	--	--	9,525,818,000.00	523,384,925,008.02
Other Assets	429,604,051,251.51	--	--	224,381,060.60	429,379,670,190.91
Total	**6,248,470,366,746.47**	**7,270,417,389.46**	**37,817,586,235.42**	**158,631,519,268.06**	**6,134,926,851,103.29**

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	Impairment provision	Total
Deposit in the Central Bank	184,063,761,445.17	--	--	--	184,063,761,445.17
Deposit and placement with banks and interbank loans	364,019,578,767.27	--	--	2,010,407.63	364,017,568,359.64
Financial assets valued at fair value through profit and loss	622,507,467.55	--	--	--	622,507,467.55
Financial derivatives	--	--	--	--	--
Financial assets held under resale agreements	177,315,513,000.00	--	--	--	177,315,513,000.00
Interests receivable	13,944,858,250.59	--	--	--	13,944,858,250.59
Loans and advances	4,056,230,725,502.95	2,419,862,346.18	35,981,639,156.49	113,711,453,781.22	3,980,920,773,224.40
Financial assets held for sale	--	--	--	--	--
Held to maturity investments	534,981,995,721.07	--	--	3,552,800,000.00	531,429,195,721.07
Other Assets	311,505,772,585.14	--	--	208,475,280.11	311,297,297,305.03
Total	**5,642,684,712,739.74**	**2,419,862,346.18**	**35,981,639,156.49**	**117,474,739,468.96**	**5,563,611,474,773.45**

Note: Sufficient impairment allowance is provided for impaired loans. Loans that have been overdue but not yet been impaired are mainly due to customers' short term capital shortage. There is no objective evidence of impairment; therefore, such loans were not classified as impaired loans. Overdue financial assets refer to financial assets whose principal or interest is overdue for 1 day or more.

B. Analysis of the overdue but not yet been impaired financial assets (currency unit: CNY)

Item	C/f				
	Overdue within 1 month	Overdue between 1-2 month	Overdue between 2-3 month	Overdue over 3 month	Total
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				
	Overdue within 1 month	Overdue between 1-2 month	Overdue between 2-3 month	Overdue over 3 month	Total
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.

Analysis of the maturity of undiscounted remaining contractual cash flows of the financial assets and liabilities held by the Bank as at December 31, 2016 (Unit：CNY 10 thousand):

Item	Due Immediately	Within 1 Month	1-3 Months	3 Months to 1 year	Above 1 year	Total
Assets						
Cash and balances at the central bank	7,044,078.35	--	--	--	12,935,840.80	19,979,919.15
Due from banks and other financial institutions	448,425.48	8,000,000.00	10,650,000.00	--	--	19,098,425.48
Placements with banks and other financial institutions	65,342.00	8,332,000.00	--	--	--	8,397,342.00
Financial assets at fair value through profit and loss	120,386.67	--	--	--	--	120,386.67
Derivative financial assets	284.09	--	--	--	--	284.09
Financial assets purchased under resale agreements	--	19,676,621.20	1,513,697.40	--	--	21,190,318.60
Interest receivable	1,883,094.17	--	--	--	--	1,883,094.17
Loans and advances	--	18,799,767.76	19,408,311.83	177,395,644.54	250,000,303.34	465,604,027.47
Available-for-sale financial assets	--	--	--	--	--	--
Held-to-maturity investments	--	4,882,730.46	4,362,932.47	--	44,045,411.37	53,291,074.30
Financial assets classified as receivables	30,049.58	--	--	1,328,925.00	41,337,938.00	42,696,912.58
Total financial assets	**9,591,660.34**	**59,691,119.42**	**35,934,941.70**	**178,724,569.54**	**348,319,493.51**	**632,261,784.51**
Liabilities						
Borrowing from the central bank	--	--	10,140,000.00	59,280,000.00	--	69,420,000.00
Deposits by banks and other financial institutions	26,343.62	158,465.25	293,867.72	912,779.59	48,342.87	1,439,799.05
Placements from other banks and financial institutions	--	--	--	--	--	--

Item	Due Immediately	Within 1 Month	1-3 Months	3 Months to 1 year	Above 1 year	Total
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	1,483,633.33	145,296,234.98
Interest payable	9,266,412.93	--	--	--	--	9,266,412.93
Bonds payable		11,032,144.00	8,498,579.55	48,750,456.35	313,032,280.76	381,313,460.66
Financial liabilities at fair value through profit and loss	120,281.42	--	--	--	--	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**	**314,564,256.96**	**606,856,189.04**
Net amount of on-balance sheet liquidity	**-120,638,500.86**	**30,304,186.47**	**15,629,353.00**	**66,355,320.31**	**33,755,236.55**	**25,405,595.47**

Analysis of the maturity of undiscounted remaining contractual cash flows of the financial assets and liabilities held by the Bank as at December 31, 2015 (Unit： CNY 10 thousand):

Item	Due Immediately	1 Month	1-3 Months	3months to 1 year	Above 1 year	Total
Assets						
Cash and balances at the central bank	7,803,689.24	--	--	--	11,290,327.84	19,094,017.08
Due from banks and other financial institutions	340,650.88	17,980,000.00	11,760,000.00	--	--	30,080,650.88
Placements with banks and other financial institutions	270,000.00	5,975,000.00	55,496.00	20,811.00	--	6,321,307.00
Financial assets at fair value through profit and loss	62,250.75	--	--	--	--	62,250.75
Derivative financial assets	--	--	--	--	--	--

Item	Due Immediately	1 Month	1-3 Months	3months to 1 year	Above 1 year	Total
Financial assets purchased under resale agreements	--	17,482,426.30	249,125.00	--	--	17,731,551.30
Interest receivable	1,394,485.83	--	--	--	--	1,394,485.83
Loans and advances	--	9,686,051.11	5,493,394.67	174,726,240.16	219,557,536.76	409,463,222.70
Available-for-sale financial assets	--	--	--	--	--	--
Held-to-maturity investments	--	1,188,818.20	6,594,070.46	2,532.00	45,712,778.91	53,498,199.57
Financial assets classified as receivables	36,659.25	--	--	--	30,906,651.00	30,943,310.25
Total financial assets	**9,907,735.95**	**52,312,295.61**	**24,152,086.13**	**174,749,583.16**	**307,467,294.51**	**568,588,995.36**
Liabilities						
Borrowing from the central bank	--	2,460,000.00	5,300,000.00	48,440,000.00	--	56,200,000.00
Deposits by banks and other financial institutions	96,128.38	1,243,316.42	872,869.10	269,695.56	50,542.00	2,532,551.46
Placements from other banks and financial institutions	--	2,192.02	--	--	--	2,192.02
Derivative financial liabilities	60,804.52	--	--	--	--	60,804.52
Financial assets sold under repurchase agreements	10.37	--	--	--	--	10.37
Deposits received	--	--	--	--	--	--
Interest payable	117,403,779.49	16,598,921.72	2,147,726.23	5,213,450.73	1,554,649.88	142,918,528.05
Bonds payable	8,014,513.33	--	--	--	--	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	278,067,510.31	338,901,114.08
Total financial liabilities and contingent liabilities	**125,575,236.09**	**27,575,657.52**	**23,016,382.34**	**92,789,735.69**	**279,672,702.19**	**548,629,713.83**
Net amount of on-balance sheet liquidity	**-115,667,500.14**	**24,736,638.09**	**1,135,703.79**	**81,959,847.47**	**27,794,592.32**	**19,959,281.53**

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.

The earlier of the re-pricing date and maturity date for the assets and liabilities as at December 31, 2017: (Unit: CNY 10 thousand)

Item	Overdue or non-interest bearing	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years	Total
Assets								
Cash and balances at the central bank	10,448.42	7,037,801.78	--	--	--	--	12,931,668.95	19,979,919.15
Due from banks and other financial institutions	--	19,098,425.48	--	--	--	--	--	19,098,425.48
Placements with banks and other financial institutions	--	8,397,342.00	--	--	--	--	--	8,397,342.00
Financial assets at fair value through profit and loss	--	120,386.67	--	--	--	--	--	120,386.67
Derivative financial assets	--	284.09	--	--	--	--	--	284.09
Financial assets purchased under resale agreements	--	21,190,318.60	--	--	--	--	--	21,190,318.60
Interest receivable	1,883,094.17	--	--	--	--	--	--	1,883,094.17
Loans and advances	4,176,120.39	454,338,778.67	402,718.14	143,849.49	4,947.45	20,900.00	6,516,713.33	465,604,027.47
Available-for-sale financial assets	--	--	--	--	--	--	--	--
Held-to-maturity investments	--	9,245,662.93	--	--	--	--	44,045,411.37	53,291,074.30
Financial assets classified as receivables	--	1,358,974.58	4,104,229.00	4,341,188.00	7,481,585.00	5,660,571.00	19,750,365.00	42,696,912.58
Total assets	**6,069,662.98**	**520,787,974.80**	**4,506,947.14**	**4,485,037.49**	**7,486,532.45**	**5,681,471.00**	**83,244,158.65**	**632,261,784.51**
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	--	--	--	--	--	--	--	--

Item	Overdue or non-interest bearing	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years	Total
Financial liabilities at fair value through profit and loss	--	120,281.42	--	--	--	--	--	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	16,173.00	--	145,296,234.98
Interest payable	9,266,412.93	--	--	--	--	--	--	9,266,412.93
Bonds payable	--	86,393,179.90	51,831,488.88	55,202,357.46	37,406,286.72	38,646,612.63	111,833,535.07	381,313,460.66
Total liabilities	**9,266,412.93**	**301,460,543.45**	**52,599,769.20**	**55,601,526.05**	**37,431,616.71**	**38,662,785.63**	**111,833,535.07**	**606,856,189.04**
Interest rate risk exposure	**-3,196,749.95**	**219,327,431.35**	**-48,092,822.06**	**-51,116,488.56**	**-29,945,084.26**	**-32,981,314.63**	**-28,589,376.42**	**25,405,595.47**

The earlier of the re-pricing date and maturity date for the assets and liabilities as at December 31, 2016: (Unit: CNY 10 thousand)

Account	Due or non-interest bearing	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5years	Total
Assets								
Cash and balances at the central bank	17,524.39	7,790,792.37	--	--	--	--	11,285,700.32	19,094,017.08
Due from banks and other financial institutions	--	30,080,650.88	--	--	--	--	--	30,080,650.88
Placements with banks and other financial institutions	--	6,321,307.00	--	--	--	--	--	6,321,307.00
Financial assets at fair value through profit and loss	--	62,250.75	--	--	--	--	--	62,250.75
Derivative financial assets	--	--	--	--	--	--	--	--
Financial assets purchased under resale agreements	--	17,731,551.30	--	--	--	--	--	17,731,551.30
Interest receivable	1,394,485.83	--	--	--	--	--	--	1,394,485.83

Account	Due or non-interest bearing	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5years	Total
Loans and advances	3,648,513.00	395,013,534.26	9,756,483.43	221,510.00	271,965.00	119,063.01	432,154.00	409,463,222.70
Available-for-sale financial assets	--	--	--	--	--	--	--	--
Held-to-maturity investments	--	7,785,420.65	--	--	--	--	45,712,778.92	53,498,199.57
Financial assets classified as receivables	--	36,659.25	1,328,925.00	4,104,229.00	2,755,752.00	7,481,585.00	15,236,160.00	30,943,310.25
Total Assets	**5,060,523.22**	**464,822,166.46**	**11,085,408.43**	**4,325,739.00**	**3,027,717.00**	**7,600,648.01**	**72,666,793.24**	**568,588,995.36**
Liabilities								
Borrowing from the central bank	--	56,200,000.00	--	--	--	--	--	56,200,000.00
Deposits by banks and other financial institutions	--	2,532,551.46	--	--	--	--	--	2,532,551.46
Placements from other banks and financial institutions	--	2,192.02	--	--	--	--	--	2,192.02
Financial liabilities at fair value through profit and loss	--	60,804.52	--	--	--	--	--	60,804.52
Derivative financial liabilities	--	10.37	--	--	--	--	--	10.37
Financial assets sold under repurchase agreements	--	--	--	--	--	--	--	--
Deposits received	--	141,679,565.52	555,533.12	664,274.42	15,730.00	3,424.99	--	142,918,528.05
Interest payable	8,014,513.33	--	--	--	--	--	--	8,014,513.33
Bonds payable	--	81,445,603.76	41,603,276.09	50,177,093.66	34,798,597.06	36,255,101.44	94,621,442.07	338,901,114.08
Total liabilities	**8,014,513.33**	**281,920,727.65**	**42,158,809.21**	**50,841,368.08**	**34,814,327.06**	**36,258,526.43**	**94,621,442.07**	**548,629,713.83**
Interest rate risk exposure	**-2,953,990.11**	**182,901,438.81**	**-31,073,400.78**	**-46,515,629.08**	**-31,786,610.06**	**-28,657,878.42**	**-21,954,648.83**	**19,959,281.53**

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

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

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.

NoteⅧ 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 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
1to 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 Decemnber 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 Beijign 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.

NoteⅪ 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.

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.

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）nalysis 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**	--

（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 liabiities 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.

9. Held-to-maturity investments

Item	C/f			B/f		
	Gross amount	Allowance for impairment losses	Carrying amounts	Gross amount	Allowance for impairment losses	Carrying amounts
Bonds	5,256,972,017.81	--	5,256,972,017.81	3,160,000,000.00	--	3,160,000,000.00
Asset-backed securities	--	--	--	25,320,000.00	--	25,320,000.00
Certificates of deposits	92,456,629,274.44	--	92,456,629,274.44	76,828,886,533.57	--	76,828,886,533.57
Subtotal	**97,713,601,292.25**	**--**	**97,713,601,292.25**	**80,014,206,533.57**	**--**	**80,014,206,533.57**

10. Financial assets classified as receivables

Item	C/f	B/f
Self-sustaining part of asset-backed securities	300,495,872.25	366,592,500.00
debt securities	426,668,629,960.00	309,066,510,000.00
subtotal	426,969,125,832.25	309,433,102,500.00
Less: Allowance for impairment losses	--	--
Carrying amounts	**426,969,125,832.25**	**309,433,102,500.00**

Note: Details of Credit Asset Securitization in Ⅴ.8.

11. Long-term equity investments

Item	B/f	Currency year movement								C/f	Allowance c/f
		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	Others		
① Investment in associates:											
China Agricultural Industry Development Fund Co., Ltd.	1,025,365,123.25	--	--	-15,485,281.04	--	--	--	--	--	1,009,879,842.21	--
Modern Seed Industry Development Fund Co., Ltd.	552,549,818.55	--	--	1,064,141.39	-27,817,822.71	--	--	--	--	525,796,137.23	--
Beijing Xiannong Cci Capital Ltd	12,504,737.76	--	--	1,579,083.29	--	--	3,200,000.00	--	--	10,883,821.05	--
Subtotal	1,590,419,679.56	--	--	-12,842,056.36	-27,817,822.71	--	3,200,000.00	--	--	1,546,559,800.49	--
②Subsidiaries:											
China Agriculture Development Key Construction Fund Co., Ltd	458,000,000,000.00	--	--	--	--	--	--	--	--	458,000,000,000.00	--
Subtotal	458,000,000,000.00	--	--	--	--	--	--	--	--	458,000,000,000.00	--
Total	**459,590,419,679.56**	**--**	**--**	**-12,842,056.36**	**-27,817,822.71**	**--**	**3,200,000.00**	**--**	**--**	**459,546,559,800.49**	

12. Fixed assets

Item	Houses and buildings	Transportation equipment	Computers and ancillary equipment	Other machinery and equipment	Construction in progress	Total
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	3,690,408,217.82	26,232,839,113.76
2. Increased in current year	1,945,453,220.58	18,112,318.49	84,297,494.48	456,079,425.12	2,007,223,363.11	4,511,165,821.78
3. Decreased in current year	462,121,180.68	20,299,124.20	150,848,171.14	120,419,776.06	3,023,469,241.92	3,777,157,494.00
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	2,674,162,339.01	26,966,847,441.54
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	--	9,453,434,405.05
2. Increased in current year	500,807,724.25	154,527,723.61	185,481,290.82	403,686,319.71	--	1,244,503,058.39
3. Decreased in current year	66,286,452.09	9,049,430.85	139,392,699.64	107,311,337.97	--	322,039,920.55
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	--	10,375,897,542.89
Impairment allowance						
1. Balance as at 31/12/2016	10,754,707.47	--	--	--	4,087,568.37	14,842,275.84
2. Increased in current year	5,073.63	--	--	--	--	5,073.63
3. Decreased in current year	8,298,767.56	--	--	--	--	8,298,767.56
4. Balance as at 31/12/2017	2,461,013.54	--	--	--	4,087,568.37	6,548,581.91
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	2,670,074,770.64	16,584,401,316.74
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	3,686,320,649.45	16,764,562,432.87

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 foreing 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**

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 benefis	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**

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**

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**

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 pleged 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**

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

AGRICULTURAL DEVELOPMENT BANK OF CHINA

FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

[English translation for reference only. Should there be any inconsistency between the Chinese and English version, the Chinese version shall prevail.]

AGRICULTURAL DEVELOPMENT BANK OF CHINA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018
[English translation for reference only]

Content	**Page**

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2019) No. 28066
(Page 1 of 4)

To Agricultural Development Bank of China,

Opinion

What we have audited

We have audited the accompanying financial statements of Agricultural Development Bank of China (hereinafter “the Bank”), which comprise:

- the consolidated and bank balance sheet as at 31 December 2018;
- the consolidated and bank income statement for the year then ended;
- the consolidated and bank cash flow statement for the year then ended;
- the consolidated and bank statement of changes in equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of consolidated level and the Bank as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

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

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Auditor’s Responsibilities for the Audit of the Financial Statements(CONT’D)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
30 April 2019

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED AND BANK BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
Assets	**Note VIII**	**31 December 2018**	**31 December 2017**
Cash and deposits with the Central Bank	1	188,231,651,374.37	184,590,809,006.66
Deposits with banks and non-bank financial institutions	2	429,611,862,435.14	190,982,690,383.53
Placements with banks and non-bank financial institutions	3	225,621,580,000.00	83,973,420,000.00
Financial assets at fair value through profit or loss	4	326,891,577,859.01	367,943,431,256.06
Derivative financial assets		-	2,840,907.67
Financial assets held under resale agreements	5	89,077,859,000.00	211,903,186,000.00
Interest receivable	6	20,572,196,018.32	18,830,941,733.12
Loans and advances to customers	7	4,969,370,397,294.04	4,566,092,278,109.96
Held-to-maturity investment	8	110,818,784,665.68	97,713,601,292.25
Investment classified as receivables	9	428,288,551,878.92	426,969,125,832.25
Long-term equity investment	10	1,755,737,889.98	1,546,559,800.49
Fixed assets	11	16,349,308,907.48	16,589,440,512.76
Intangible assets	12	537,297,047.07	486,565,613.64
Deferred tax assets	13	39,314,873,713.65	29,442,123,565.14
Other assets	14	6,335,565,222.56	9,221,515,205.40
Total Assets		6,852,777,243,306.22	6,206,288,529,218.93

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
Liabilities	**Note VIII**	**31 December 2018**	**31 December 2017**
Borrowings from the Central Bank	16	678,400,000,000.00	694,200,000,000.00
Deposits from banks and non-bank financial institutions	17	285,243,024,783.17	14,397,990,471.70
Financial liabilities at fair value through profit or loss	18	-	1,202,814,246.58
Derivative financial liabilities		275,800,289.42	-
Due to customers	19	1,388,615,934,401.76	1,437,753,967,281.22
Employee benefits payable	20	9,244,508,017.22	7,947,948,434.21
Tax payable	21	10,060,181,644.61	7,083,976,677.35
Interest payable	22	114,423,183,023.25	92,664,129,320.31
Provisions	23	9,019,925,959.28	-
Debt securities issued	24	4,201,489,087,784.32	3,813,134,606,622.10
Other liabilities	25	2,338,819,221.28	2,311,864,586.82
Total Liabilities		6,699,110,465,124.31	6,070,697,297,640.29
Equity			
Share capital	26	57,000,000,000.00	57,000,000,000.00
Capital reserve	27	12,397,525.36	12,397,525.36
Other comprehensive income	28	(31,221,186.06)	10,725,113.94
Surplus reserve	29	13,559,939,959.35	11,748,190,669.02
General risk reserve	30	24,000,000,000.00	24,000,000,000.00
Retained earnings	31	59,125,661,883.26	42,819,918,270.32
Total Equity		153,666,778,181.91	135,591,231,578.64
Total Liabilities and Equity		6,852,777,243,306.22	6,206,288,529,218.93

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Bank	
Assets	**Note VIII**	**31 December 2018**	**31 December 2017**
Cash and deposits with the Central Bank	1	158,988,575,086.70	168,262,748,113.36
Deposits with banks and non-bank financial institutions	2	429,611,862,435.14	190,982,690,383.53
Placements with banks and non-bank financial institutions	3	225,621,580,000.00	83,973,420,000.00
Financial assets at fair value through profit or loss	4	-	1,203,866,690.74
Derivative financial assets		-	2,840,907.67
Financial assets held under resale agreements	5	89,077,859,000.00	211,903,186,000.00
Interest receivable	6	20,197,834,373.33	18,828,852,500.40
Loans and advances to customers	7	4,916,484,836,176.70	4,507,160,518,959.51
Held-to-maturity investment	8	110,818,784,665.68	97,713,601,292.25
Investment classified as receivables	9	428,288,551,878.92	426,969,125,832.25
Long-term equity investment	10	459,755,737,889.98	459,546,559,800.49
Fixed assets	11	16,349,308,907.48	16,589,440,512.76
Intangible assets	12	537,297,047.07	486,565,613.64
Deferred tax assets	13	35,374,009,213.65	27,060,669,065.14
Other assets	14	6,335,565,222.56	9,221,515,205.40
Total Assets		6,897,441,801,897.21	6,219,905,600,877.14

CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Bank	
Liabilities	**Note VIII**	**31 December 2018**	**31 December 2017**
Borrowings from the Central Bank	16	678,400,000,000.00	694,200,000,000.00
Deposits from banks and non-bank financial institutions	17	285,243,024,783.17	14,397,990,471.70
Financial liabilities at fair value through profit or loss	18	-	1,202,814,246.58
Derivative financial liabilities		275,800,289.42	-
Due to customers	19	1,434,935,838,305.58	1,452,962,349,805.95
Employee benefits payable	20	9,244,508,017.22	7,947,948,434.21
Tax payable	21	8,410,571,555.94	5,496,812,279.40
Interest payable	22	114,423,183,023.25	92,664,129,320.31
Provisions	23	9,019,925,959.28	-
Debt securities issued	24	4,201,489,087,784.32	3,813,134,606,622.10
Other liabilities	25	2,338,819,221.28	2,311,864,586.82
Total Liabilities		6,743,780,758,939.46	6,084,318,515,767.07
Equity			
Share capital	26	57,000,000,000.00	57,000,000,000.00
Capital reserve	27	12,397,525.36	12,397,525.36
Other comprehensive income	28	(31,221,186.06)	10,725,113.94
Surplus reserve	29	13,559,366,436.93	11,747,776,022.16
General risk reserve	30	24,000,000,000.00	24,000,000,000.00
Retained earnings	31	59,120,500,181.52	42,816,186,448.61
Total Equity		153,661,042,957.75	135,587,085,110.07
Total Liabilities and Equity		6,897,441,801,897.21	6,219,905,600,877.14

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND BANK INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		The Group	
	Note VIII	2018	2017
Operating Income		90,722,173,742.37	85,268,775,429.16
Net interest income	32	71,847,822,301.33	67,937,164,314.05
Interest income		254,675,396,222.23	215,918,106,686.99
Interest expenses		(182,827,573,920.90)	(147,980,942,372.94)
Net fee and commission income	33	154,656,235.66	82,628,577.43
Fee and commission income		319,616,969.81	401,677,209.13
Fee and commission expenses		(164,960,734.15)	(319,048,631.70)
Investment income	34	23,888,311,007.48	21,309,827,818.74
Including: Share of profit in associates and joint ventures		2,724,389.49	(12,842,056.36)
Changes in fair value gains and losses	35	(5,470,414,347.73)	(5,146,035,936.77)
Foreign exchange gains and losses		102,867,209.47	60,253,290.14
Other operating income		47,300,503.44	63,818,241.57
Assets disposal income		78,105,763.39	80,345,724.00
Other income		73,525,069.33	880,773,400.00
Operating Expenses		(70,900,469,691.88)	(67,740,024,554.92)
Taxes and surcharges	36	(1,070,767,561.58)	(955,422,501.17)
Operating and administrative expenses	37	(24,258,026,745.71)	(23,354,943,630.68)
Impairment losses on assets	38	(45,310,849,347.96)	(43,097,369,438.95)
Other operating expenses	39	(260,826,036.63)	(332,288,984.12)
Operating Profit		19,821,704,050.49	17,528,750,874.24
Add: Non-operating income		121,354,342.36	107,203,207.00
Less: Non-operating expenses		(414,205,299.70)	(334,763,257.38)
Profit before Income Tax		19,528,853,093.15	17,301,190,823.86
Less: Income tax expense	40	(1,411,360,189.88)	(182,926,676.64)
Net Profit		18,117,492,903.27	17,118,264,147.22
Other Comprehensive Income, Net of Tax	28	(41,946,300.00)	(27,817,822.71)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss		(41,946,300.00)	(27,817,822.71)
Total Comprehensive Income		18,075,546,603.27	17,090,446,324.51

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED AND BANK INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2018	The Bank 2017
Operating Income		89,821,499,131.51	84,405,109,759.52
Net interest income	32	70,182,801,699.77	66,870,411,657.40
Interest income		253,010,375,620.67	214,851,354,030.34
Interest expenses		(182,827,573,920.90)	(147,980,942,372.94)
Net fee and commission income	33	154,656,235.66	82,628,577.43
Fee and commission income		319,616,969.81	401,677,209.13
Fee and commission expenses		(164,960,734.15)	(319,048,631.70)
Investment income	34	19,280,673,791.70	16,366,753,770.20
Including: Share of profit in associates and joint ventures		2,724,389.49	(12,842,056.36)
Changes in fair value gains and losses	35	(98,431,141.25)	125,098.78
Foreign exchange gains and losses		102,867,209.47	60,253,290.14
Other operating income		47,300,503.44	63,818,241.57
Assets disposal income		78,105,763.39	80,345,724.00
Other income		73,525,069.33	880,773,400.00
Operating Expenses		(70,001,913,421.81)	(66,878,066,089.84)
Taxes and surcharges	36	(1,037,868,085.03)	(920,321,000.54)
Operation and administrative expenses	37	(24,258,026,745.71)	(23,354,943,630.68)
Impairment losses on assets	38	(44,445,192,554.44)	(42,270,512,474.50)
Other operating expenses	39	(260,826,036.63)	(332,288,984.12)
Operating Profit		19,819,585,709.70	17,527,043,669.68
Add: Non-operating income		121,354,342.36	107,203,207.00
Less: Non-operating expenses		(414,205,299.70)	(334,763,257.38)
Profit before Income Tax		19,526,734,752.36	17,299,483,619.30
Less: Income tax expense	40	(1,410,830,604.68)	(182,499,875.50)
Net profit		18,115,904,147.68	17,116,983,743.80
Other Comprehensive Income, Net of Tax	28	(41,946,300.00)	(27,817,822.71)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
—Share of other comprehensive income in investee under equity method that may be reclassified to profit or loss		(41,946,300.00)	(27,817,822.71)
Total Comprehensive Income		18,073,957,847.68	17,089,165,921.09

The accompanying notes form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 1 January 2018		57,000,000,000.00	12,397,525.36	10,725,113.94	11,748,190,669.02	24,000,000,000.00	42,819,918,270.32	135,591,231,578.64
Movements during the year								
(1) Net profit		-	-	-	-	-	18,117,492,903.27	18,117,492,903.27
(2) Other comprehensive income	28	-	-	(41,946,300.00)	-	-	-	(41,946,300.00)
Subtotal of (1) and (2)		-	-	(41,946,300.00)	-	-	18,117,492,903.27	18,075,546,603.27
(3) Profit distribution								
1. Appropriation to surplus reserve	31	-	-	-	1,811,749,290.33	-	(1,811,749,290.33)	-
Balance at 31 December 2018		57,000,000,000.00	12,397,525.36	(31,221,186.06)	13,559,939,959.35	24,000,000,000.00	59,125,661,883.26	153,666,778,181.91

		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 1 January 2017		57,000,000,000.00	12,397,525.36	38,542,936.65	10,036,364,254.30	24,000,000,000.00	27,413,480,537.82	118,500,785,254.13
Movements during the year								
(1) Net profit		-	-	-	-	-	17,118,264,147.22	17,118,264,147.22
(2) Other comprehensive income	28	-	-	(27,817,822.71)	-	-	-	(27,817,822.71)
Subtotal of (1) and (2)		-	-	(27,817,822.71)	-	-	17,118,264,147.22	17,090,446,324.51
(3) Profit distribution								
1. Appropriation to surplus reserve	31	-	-	-	1,711,826,414.72	-	(1,711,826,414.72)	-
Balance at 31 December 2017		57,000,000,000.00	12,397,525.36	10,725,113.94	11,748,190,669.02	24,000,000,000.00	42,819,918,270.32	135,591,231,578.64

AGRICULTURAL DEVELOPMENT BANK OF CHINA

BANK STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 1 January 2018		57,000,000,000.00	12,397,525.36	10,725,113.94	11,747,776,022.16	24,000,000,000.00	42,816,186,448.61	135,587,085,110.07
Movements during the year								
(1) Net profit		-	-	-	-	-	18,115,904,147.68	18,115,904,147.68
(2) Other comprehensive income	28	-	-	(41,946,300.00)	-	-	-	(41,946,300.00)
Subtotal of (1) and (2)		-	-	(41,946,300.00)	-	-	18,115,904,147.68	18,073,957,847.68
(3) Profit distribution								
1. Appropriation to surplus reserve	31	-	-	-	1,811,590,414.77	-	(1,811,590,414.77)	-
Balance at 31 December 2018		57,000,000,000.00	12,397,525.36	(31,221,186.06)	13,559,366,436.93	24,000,000,000.00	59,120,500,181.52	153,661,042,957.75

		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
Balance at 1 January 2017		57,000,000,000.00	12,397,525.36	38,542,936.65	10,036,077,647.78	24,000,000,000.00	27,410,901,079.19	118,497,919,188.98
Movements during the year								
(1) Net profit		-	-	-	-	-	17,116,983,743.80	17,116,983,743.80
(2) Other comprehensive income	28	-	-	(27,817,822.71)	-	-	-	(27,817,822.71)
Subtotal of (1) and (2)		-	-	(27,817,822.71)	-	-	17,116,983,743.80	17,089,165,921.09
(3) Profit distribution								
1. Appropriation to surplus reserve	31	-	-	-	1,711,698,374.38	-	(1,711,698,374.38)	-
Balance at 31 December 2017		57,000,000,000.00	12,397,525.36	10,725,113.94	11,747,776,022.16	24,000,000,000.00	42,816,186,448.61	135,587,085,110.07

The accompanying notes form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED AND BANK CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Group 2018	The Group 2017
1. Cash Flows from Operating Activities:			
Net increase in deposits from customers and from banks and non-bank financial institutions		221,707,001,432.12	15,024,813,273.05
Net increase in borrowings from the Central Bank		-	132,200,000,000.00
Net decrease in deposits with the Central Bank, banks and non-bank financial institutions		-	93,312,319,321.26
Net decrease in financial assets held under resale agreements		122,825,327,000.00	-
Cash received from interest, fee and commission		253,253,758,906.84	217,698,449,172.10
Cash received from other operating activities		886,409,413.25	2,548,897,343.53
Subtotal of Cash Inflow from Operating Activities		598,672,496,752.21	460,784,479,109.94
Net increase in loans and advances to customers		(435,554,737,057.15)	(565,399,513,213.58)
Net decrease in borrowings from the Central Bank		(15,800,000,000.00)	-
Net increase in deposits with the Central Bank, banks and non-bank financial institutions		(408,254,519,808.56)	-
Net decrease in placements with other financial institutions		(119,700,000,000.00)	(20,828,769,701.69)
Net increase in financial assets held under resale agreements		-	(34,587,673,000.00)
Cash paid for interest, fee and commission		(37,967,200,506.85)	(26,877,502,561.77)
Cash paid to and for employees		(16,098,738,726.29)	(14,428,220,645.68)
Payments of all types of taxes		(16,376,688,053.86)	(11,571,787,543.32)
Cash paid relating to other operating activities		(747,735,561.54)	(9,572,368,854.96)
Subtotal of Cash Outflow from Operating Activities		(1,050,499,619,714.25)	(683,265,835,521.00)
Net Cash Flows from Operating Activities	41	(451,827,122,962.04)	(222,481,356,411.06)
2. Cash Flows From Investing Activities:			
Proceeds from sale and redemption of investment		505,697,639,007.56	504,934,432,967.38
Proceeds from investment income		23,888,311,007.48	20,711,296,034.81
Proceeds from other investing activities		1,551,760,301.64	168,285,443.76
Subtotal of Cash Inflow from Investing Activities		531,137,710,316.68	525,814,014,445.95
Purchase of investments		(484,876,750,394.40)	(503,978,442,849.77)
Purchase of fixed assets, intangible assets and other long-term assets		(3,599,976,776.79)	(1,272,744,397.69)
Subtotal of Cash Outflow from Investing Activities		(488,476,727,171.19)	(505,251,187,247.46)
Net Cash Flows from Investing Activities		42,660,983,145.49	20,562,827,198.49

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Group 2018	The Group 2017
3. Cash Flows from Financing Activities:			
Proceeds from debt securities issued		1,136,511,602,009.05	1,201,614,149,792.08
Subtotal of Cash Inflow from Financing Activities		1,136,511,602,009.05	1,201,614,149,792.08
Repayments of debts		(748,983,906,533.96)	(781,865,761,031.46)
Cash payments for interest		(122,439,494,758.13)	(104,727,248,556.74)
Subtotal of Cash Outflow from Financing Activities		(871,423,401,292.09)	(886,593,009,588.20)
Net Cash Flows from Financing Activities		265,088,200,716.96	315,021,140,203.88
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		41,569,839.75	60,253,290.14
5. Net (Decrease)/Increase in Cash and Cash Equivalents	41	(144,036,369,259.84)	113,162,864,281.45
Add: Opening balance of cash and cash equivalents		330,190,075,791.94	217,027,211,510.49
6. Closing Balance of Cash and Cash Equivalents	41	186,153,706,532.10	330,190,075,791.94

AGRICULTURAL DEVELOPMENT BANK OF CHINA

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2018	The Bank 2017
1. Cash Flows from Operating Activities:			
Net increase in deposits from customers and from banks and non-bank financial institutions		252,818,522,811.21	15,024,813,273.05
Net decrease in deposits with the Central bank, banks and non-bank financial institutions		-	93,312,319,321.26
Net increase in borrowings from the Central Bank		-	132,200,000,000.00
Net decrease in financial assets held under resale agreements		122,825,327,000.00	-
Cash received from interest, fee and commission		251,961,010,717.55	217,538,872,571.98
Cash received from other operating activities		886,409,413.25	2,548,897,343.53
Subtotal of Cash Inflow from Operating Activities		628,491,269,942.01	460,624,902,509.82
Net increase in loans and advances to customers		(441,600,935,090.26)	(565,399,513,213.58)
Net increase in deposits with the Central Bank, banks and other financial institutions		(408,254,519,808.56)	-
Net decrease in borrowings from the Central Bank		(15,800,000,000.00)	-
Net decrease in placements with other financial institutions		(119,700,000,000.00)	(20,828,769,701.69)
Net increase in financial assets held under resale agreements		-	(34,587,673,000.00)
Cash paid for interest, fee and commission		(37,967,200,506.85)	(26,877,502,561.77)
Cash paid to and for employees		(16,098,738,726.29)	(14,428,220,645.68)
Payments of all types of taxes		(14,517,854,877.46)	(10,327,938,874.43)
Cash paid relating to other operating activities		(210,518,573.39)	(9,572,368,854.96)
Subtotal of Cash Outflow from Operating Activities		(1,054,149,767,582.81)	(682,021,986,852.11)
Net Cash Flows from Operating Activities	41	(425,658,497,640.80)	(221,397,084,342.29)
2. Cash Flows from Investing Activities:			
Proceeds from sale and redemption of investment		465,849,652,301.25	482,814,210,495.65
Proceeds from investment income		19,280,673,791.70	14,509,975,624.47
Proceeds from other investing activities		1,551,760,301.64	168,285,443.76
Subtotal of Cash Inflow from Investing Activities		486,682,086,394.59	497,492,471,563.88
Purchase of investments		(479,504,767,187.92)	(501,628,867,849.77)
Purchase of fixed assets, intangible assets and other long-term assets		(3,599,976,776.79)	(1,272,744,397.69)
Subtotal of Cash Outflow from Investing Activities		(483,104,743,964.71)	(502,901,612,247.46)
Net Cash Flows from Investing Activities		3,577,342,429.88	(5,409,140,683.58)

CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note VIII	The Bank 2018	The Bank 2017
3. Cash Flows from Financing Activities:			
Proceeds from debt securities issued		1,136,511,602,009.05	1,201,614,149,792.08
Subtotal of Cash Inflow from Financing Activities		1,136,511,602,009.05	1,201,614,149,792.08
Repayments of debts		(748,983,906,533.96)	(781,865,761,031.46)
Cash payments for interest		(122,439,494,758.13)	(104,727,248,556.74)
Subtotal of Cash Outflow from Financing Activities		(871,423,401,292.09)	(886,593,009,588.20)
Net Cash Flows from Financing Activities		265,088,200,716.96	315,021,140,203.88
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		41,569,839.75	60,253,290.14
5. Net (Decrease)/Increase in Cash and Cash Equivalents	41	(156,951,384,654.21)	88,275,168,468.15
Add: Opening balance of cash and cash equivalents		313,862,014,898.64	225,586,846,430.49
6. Closing Balance of Cash and Cash Equivalents	41	156,910,630,244.43	313,862,014,898.64

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

I General information

Agricultural Development Bank of China (hereinafter, the “Bank”) is the only agricultural policy-oriented bank under the direct authority of the State Council of the People's Republic of China (hereinafter, the “State Council”) in accordance with the Notice on the Establishment of Agricultural Development Bank of China (*Guo Fa* [1994] No. 25) issued by the State Council on 19 April 1994. The Bank was incorporated in November 2014 and is wholly owned by Ministry of Finance of the PRC (hereinafter, the “Ministry of Finance”). The Bank carries out business activities within the operating scope in accordance with Measures for Supervision and Management of Agricultural Development Bank of China (*Decree of CBRC* [2017] No.4). The Head Office of the Bank is the first level legal person and the chairman is the legal representative.

The Bank carries the financial institution license (No. A0002H111000001) issued by China Banking Regulatory Commission (the CBRC, which was renamed China Banking and Insurance Regulatory Commission in 2018, hereinafter referred to as “CBIRC”). The Bank’s unified social credit code is 9110000010001704 5K, and it carries the business license to operate as a corporate entity issued by the Beijing Administration for Industry and Commerce. The registered address of the Bank is No. Jia 2, Yuetanbei Street, Xicheng District, Beijing. As at 31 December 2018, the Bank had a total of 32 Tier-1 branches, 338 Tier-2 branches, and 1,828 Tier-3 and lower-level branches.

The main responsibility of the Bank is to, in accordance with national laws, regulations and policies, undertake agricultural policy-based financial services as prescribed by the state and provide financial support for agricultural funds based on national credit in order to serve agriculture and rural economic development, with funds mainly raised through bond issuance. The Bank does not operate the business of deposits and loans for individuals and investment business.

The principal operating activities of the Bank and its subsidiary (“the Group”) include: providing special reserve loans arranged by the People's Bank of China and subsidised by the government for grain, cotton, oil, pork, sugar, factory silk, and chemical fertilisers, as well as local fertiliser, sugar, and meat reserve; providing loans for purchase and resale of grain, cotton, and oil; providing loans for grain contractual purchase; providing loans for cotton and linen processing enterprises; allocation of government financial support fund by opening special grain risk reserve account for government and allocating funds; issuing financial bonds; deposits business for enterprises and institutions within business scope; settlement for the enterprises and institutions; foreign fund raising; 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 and borrowing compatible with international settlement business, agent of foreign exchange trading and other services; providing loans for large grain processing enterprises; providing loan for grain and cotton oil industrialization leading enterprise; providing loans for other grain enterprises; providing loans in relation with grain and oil seed; providing loans for cotton enterprises for pre-purchase, cotton deep processing, cotton breeding, acquisition and processing, cotton export and import as needed for national macro-control and reserve purpose; technical equipment transformation loan for cotton enterprises; collection and payment for enterprises; local currency transactions in the national interbank market; postal savings agreement deposits; loan businesses for agricultural small business, rural infrastructure construction, agriculture comprehensive development, and agricultural production materials; 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). (Businesses subject to approval in accordance with law can be carried out after being approved by relevant authorities).

The financial statements were approved by management on 30 April 2019.

II Basis of preparation of the financial statements

The financial statements were prepared in accordance with the Accounting Standards for Business Enterprises - Basic Standard, each specific accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”), and other relevant rules and documents issued by the Ministry of Finance that are applicable to the Bank.

The Bank operates in accordance with the requirements of capital management in the Regulations on Supervision and Management of the Agricultural Development Bank of China. The financial statements are prepared on a going concern basis.

III Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements has been prepared in accordance with the requirements of the CAS and gives a true and fair view of the financial positions of the Group as at 31 December 2018, and of the financial performance and cash flows for the year then ended 2018.

IV Significant accounting policies

1 Accounting year

The Group's accounting year starts on 1 January and ends on 31 December.

2 Recording currency

The recording currency of the Group is Renminbi ("RMB"). The financial statements are presented in RMB.

3 Accounting basis and measurement principle

The Group adopts the accrual basis for accounting. The financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value. If assets are impaired, in accordance with relevant requirements, the Group recognises allowances for the impairment losses.

4 Foreign currency transactions

On initial recognition, foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates at the balance sheet date. Exchange difference arising from translations, as the spot exchange rate on the balance sheet date is different from the one on initial recognition or the prior balance date, are recognised in profit or loss for the current period, while differences arising from changes in the book value other than the amortised cost of available-for-sale financial assets attribute to monetary items, are recognised in other comprehensive income at fair value.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into recording currency using the spot exchange rates of the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates when the fair value are determined. Translation differences on non-monetary financial assets classified as available-for-sale are included in other comprehensive income. Translation differences on financial assets and financial liabilities measured at fair value through profit or loss are included in the profit or loss.

5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits that can be readily drawn on demand, and highly-liquid monetary assets with an original maturity of no more than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

IV Significant accounting policies (Cont'd)

6 Financial instruments

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. The fair value of financial instrument quoted in an active market is determined at the quoted market price. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include the use of recent transaction prices in orderly transactions, discounted cash flow analysis, option pricing models and other techniques commonly used by market participants.

The fair value measurements are categorised into 3 levels based on the degree of observability of the inputs and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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.

(1) Classification, recognition and measurement of financial assets

All purchases or sales of financial assets in regular ways are recognised and derecognised using trade date accounting. The Group's financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investment, loans and advances to customers, investment classified as receivables and available-for-sale financial assets. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets are initially measured at fair value. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss.

Financial assets held for trading refer to financial assets satisfying one of the following conditions: (i) the financial assets are bought with the intention to sell in the near future; (ii) belongs to a part of identifiable financial instruments group under the centralised management, and there is objective evidence that the Group will manage the financial instruments using short-term profit method recently; (iii) belongs to derivative financial instruments, excluding the derivative financial instruments that are designated with effective hedging, and those belong to financial guarantee contract, as well as the derivative financial instruments that are linked to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured, and has to be settled by delivery of such equity instruments.

A financial asset may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces in consistency gains or losses in respect to recognition or measurement due to different measure basis of financial instruments; or (ii) The Group's documents of risk management or investment strategy stipulates a group of financial assets or a group of financial assets and financial liabilities that a financial asset belongs to is managed and evaluated on a fair value basis, and is reported to key management personnel on that basis; or (iii) qualified hybrid instruments including embedded derivative financial instruments. The Group designates equity investment with redemption rights as financial assets at fair value through profit or loss.

VI Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(1) Classification, recognition and measurement of financial assets (Cont'd)

Financial assets at fair value through profit or loss (Cont'd)

Financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend and interest income earned on, and gains or losses on disposal of the financial assets are recognised in profit or loss for the current period.

Held-to-maturity investment

A held-to-maturity investment is a non-derivative financial asset with fixed maturity date and fixed or determinable payments that the Group has clearly intention and ability to hold to maturity.

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 Group include deposits with the Central Bank, deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, investment classified as receivables, etc.

Loans and receivables shall be subsequently measured at amortised cost based on the effective interest method. The profit or loss arising from derecognition, impairment or amortisation are recognised into profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets refer to non-derivative financial assets designated at initial recognition as available for sale, or financial assets other than: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investment; and (iii) loans and receivables.

IV Significant accounting policies(Cont'd)

6 Financial instruments (Cont'd)

(2) Impairment of financial assets

The Group examines the carrying amounts of financial assets except for those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group recognises an allowance for the impairment loss.

Objective evidence for impairment of financial assets may include the following observable events:

(i) Significant financial difficulty of the issuer or borrower;

(ii) The breach of contract, such as a default or deliquency in interest or principal payment;

(iii) The Group, for economic or legal reasons, granting a concession to the borrower who has financial difficulty;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial restructuring;

(v) Financial assets are no longer able to trade in an active market due to severe financial difficulty experienced by the issuers;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; and

- changes in the economic conditions of the geographical areas of the borrowers that may cause defaults on this group of financial assets;

(vii) Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and that indicates the cost of investments in equity instruments may not be recovered;

(viii) Significant or non-temporary decline in the fair value of investment in equity instruments;

(ix) Other objective evidence indicating impairment of financial assets.

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(2) Impairment of financial assets (Cont'd)

Impairment of loans and advances to customers, investment classified as receivables and held-to-maturity investment

The Group conducts impairment assessment on individually significant loans and advances to customers, investment classified as receivables, and held-to-maturity investment on an individual basis. If there is objective evidence that financial assets measured at amortised cost are impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account, and the amount of the loss shall be recognised in profit or loss. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The estimation and calculation of the present value of the estimated future cash flows of a collateralised financial asset consider the value of the collateral, less the cost of obtaining and selling the collateral, regardless of whether the collateral will be realized.

The Group conducts impairment assessment on individually not significant loans and advances to customers, investment classified as receivables, and held-to-maturity investment on a collective basis. For the purposes of a collective assessment for impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, such as an improvement in the debtor's credit rating, the previously recognised impairment loss is reversed and the carrying amount of the financial assets after impairment loss reversed shall not exceed the amortized list of the financial assets without provision for impairment loss on the reversing date.

When a financial asset is uncollectible, it is written off against the related allowance on impairment losses after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(3) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor reserves all risks and rewards of ownership of the financial asset and retains the control over the financial asset, related financial assets and liabilities are recognised to the extent that the transferred financial asset is continuously involved.

When a financial asset transferred meets the derecognition condition, the difference between the carrying amount of the financial asset transferred and the consideration received from the transfer, together with the cumulative gains or losses previously recognised in other comprehensive income, is recognised in profit or loss.

(4) Classification, recognition and measurement of financial liabilities and equity instruments

The Group initially recognises a financial instrument or a portion of a financial instrument as financial liabilities or equity instrument in accordance with the contractual terms and the economic nature reflected by the terms, in combination with the definitions of financial liabilities and equity instruments, rather than determined by its legal form solely.

Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

The financial liabilities are initially recognised at fair value. In the case of financial liabilities at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(4) Classification, recognition and measurement of financial liabilities and equity instruments (Cont'd)

Financial liabilities at fair value through profit or loss (Cont'd)

Financial liabilities classified as held for trading include those financial liabilities that meet one of the following conditions: 1) they are acquired principally for the purpose of selling in the near term; 2) they are part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short term profit-taking. Derivatives are also classified as financial liabilities held for trading, unless they are designated as effective hedging.

The criteria for financial liabilities designated as at fair value through profit or loss upon initial recognition is the same with that for financial assets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. The gains or losses arising from changes in fair value, together with dividends and interest expenses relating to such financial liabilities shall be recognised in profit or loss for the current period.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gains or losses arising from derecognition or amortisation recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are initially recognised based on the actual consideration received less transaction expenses directly attributable to equity transactions. The Group does not recognise the changes in fair value of equity instruments.

The Group recognises the distribution from equity instrument's holders as profit distribution.

(5) Derecognition of financial liabilities

The Group derecognises the discharged part of the financial liabilities when the present obligation is wholly or partly discharged. If the Group (the obligor) and a creditor enter into an agreement to replace the existing financial liability with a new financial liability, where the contractual terms for the new financial liability are substantially different from those for the existing financial liability, the Group derecognises the existing financial liability and recognises a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the derecognised part and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(6) Offsetting of financial assets and financial liabilities

When the Group has a legally enforceable right that is currently enforceable to set off the recognised financial assets and financial liabilities, and when the Group intends either to settle on a net basis or to realise the financial assets and settle the financial liabilities simultaneously, the amount after offsetting of financial assets and financial liabilities are presented in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and will not offset each other.

IV Significant accounting policies (Cont'd)

6 Financial instruments (Cont'd)

(7) Derivative financial instruments

Derivatives financial instruments are initially measured at fair value at the date the derivative contract is entered into and subsequently at fair value. Changes in fair value of these derivatives are recognised in profit or loss for the current period.

7 Financial assets held under resale agreements and sold under repurchase agreements

Financial assets held under resale agreements are transactions to provide funds in which the Group acquires financial assets to be resold at a predetermined price at a future date under the resale agreements. Financial assets sold under repurchase agreements are transactions in exchange for cash in which the Group sells financial assets to be repurchased at a predetermined price at a future date under the repurchase agreements.

Financial assets held under resale agreements and sold under repurchase agreements are recognised on the balance sheet at the amounts actually paid or received at the time when the transactions occur. The underlying assets in financial assets held under resale agreements are not recognized, while the underlying assets sold under repurchase agreements continue to be recognised on the balance sheet.

The spreads of financial assets held under resale agreements and purchased under resale agreements amortised over the periods of the respective transactions using the effective interest method, and are recognised as interest income and interest expenses respectively.

8 Long-term equity investment

(1) Basis for determining existence of control, jointly control or significant influence over investees

Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee. Joint control is the contractually agreed sharing of control over an arrangement, and the activities related to such arrangement can be decided only with the unanimous consent of the Group and parties sharing control. Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies. Other potential voting right elements, such as convertible company bonds and warrants held by investors and other holders that can be excised in the current period, should be considered when deciding whether an investor controls, jointly control or has significant influence over an investee.

(2) Determination of investment costs

Long-term equity investments are initially measured at costs. For long-term equity investments acquired in a business combination not under common control, the cost of such investments is determined by the combination cost. For long-term equity investments acquired not through a business combination: for those acquired by payment in cash, the initial investment cost is the purchase price actually paid; for those acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

(3) Subsequent measurement

Long-term equity investment accounted for using the cost method

Investments in subsidiaries are calculated by using the cost method. Subsidiaries are the investees over which the Group is able to exercise control.

IV Significant accounting policies (Cont'd)

8 Long-term equity investment (Cont’d)

(3) Subsequent measurement (Cont’d)

Long-term equity investments accounted for using the cost method (Cont’d)

Long-term equity investments accounted for using the cost method are measured at initial investment cost. The adjustment is applied to the cost of long-term equity investment when additional investments are made or derecognition of such investments occurred. Any cash dividends or distributions received is treated as investment income for the current period.

Long-term equity investment accounted for using the equity method

Investments in associates are accounted for using the equity method. An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, investment profit or loss and other comprehensive income represent the Group's share of the net profits or losses or other comprehensive income entitled or shared by the investee separately for the current period, meanwhile adjusting the carrying amount of the long-term equity investment; the carrying amount of the long-term equity investment is reduced by the amount of profit declared or cash dividend entitled or shared by the investee. Any movements of equity are adjusted to the carrying amount of long-term equity investment and capital reserve with the exception of net profit or loss, other comprehensive income and retained earning shared by investees. The Group recognises its share of the investee's net profits or losses based on the fair values of the investee's individual identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, determining the investment profit or loss accordingly, except for the unrealised losses that included in the impairment of asset transferred.

The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the long-term equity investments, together with any long-term interests, that in substance form part of the investor's net investment in the investee, is reduced to zero. If the Group has to assume additional losses for the investee and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. Where the investee records profits in subsequent periods, the Group resumes recognising its share of profits after setting off profits against the unrecognised share of losses.

9 Fixed assets

Fixed assets are tangible assets that are held for rendering of services, leasing or operational management, and have useful lives of more than one accounting year, mainly including buildings, transportation vehicles, computers and ancillary equipment, other machinery equipment and construction in progress.

Fixed assets are initially measured at cost. Fixed assets are stated at cost net of any accumulated depreciation and impairment losses. Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that the economic benefits associated with the asset will flow to the Group and can be reliably measured, and the carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

IV Significant accounting policies (Cont'd)

9 Fixed assets (Cont'd)

Fixed assets are depreciated using the straight-line method over their estimated useful lives since the month subsequent to the one in which it is ready for intended use. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of various fixed assets are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Buildings	20-30 years	5%	3.17% - 4.75%
Transportation vehicles	5-6 years	5%	15.83%-19.00%
Electronic computers and ancillary equipment	5 years	5%	19.00%
Other machinery and equipment	5-11 years	5%	8.64%-19.00%

Construction in progress is measured at its actual costs, including various construction expenditures during the construction period and other relevant costs. Construction in progress is transferred to a property and equipment when it is ready for its intended use with no depreciation made.

The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method applied at least annually at the end of each year, and accounts for any changes as changes in accounting estimates. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

10 Intangible assets

An intangible asset is measured initially at cost. For an intangible asset with a finite useful life, when it is available for use, its cost less accumulated impairment losses is amortised over its estimated useful life using the straight-line method. The Group's intangible assets include land use rights, computer software and other intangible assets.

The useful lives and amortisation method of the intangible assets with finite useful lives are reviewed by the Group at least at the end of each year, adjusted as appropriate and accounted for as a change in accounting estimate.

11 Operating leases

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group's assets and the rental income under the operating lease is recognised on a straight-line basis over the period of the lease in profit or loss.

When the Group is the lessee in an operating lease, lease expenses are recognised on a straight-line basis over the period of the lease in profit or loss.

Significant initial direct costs are capitalised when incurred and recognised in profit or loss over the lease term on the same basis as lease income. Other smaller initial direct costs are recognised in profit or loss in the period in which they are incurred.

12 Repossessed assets

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. If there is indication that the realizable net value of a repossessed asset is less than its carrying amount, the Group decreases the carrying amount to the realizable net value.

IV Significant accounting policies (Cont'd)

13 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets and intangible assets with finite useful lives may be impaired. If there is any indication that an asset may be impaired, the Group evaluates the recoverable amount of the assets. Recoverable amount for asset impairment is estimated on the individual asset basis. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of the asset is lower than its carrying amount, the impairment losses are accrued in line with the difference and recognised in profit or loss.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

14 Employee benefit

Employee benefits refer to various forms of wages and compensation provided by the Group in exchange for service rendered by employee or for termination of employment relationship, which include short-term employee benefits, post-employee benefits and early retirement benefits.

(1) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonuses, staff welfare, premiums or contributions to medical insurance, work injury insurance and maternity insurance programs, housing provident funds, union and employee education expenses. The Group recognises employee benefits as liabilities in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period.

(2) Post-employment benefits

Post-employment benefits include basic pensions, unemployment insurance, supplementary pensions, supplementary medical insurance and supplementary retirement benefits.

Upon approval of the Ministry of Finance and filing at the Ministry of Human Resources and Social Security, employees of the Group become eligible participants in the basic pensions, supplementary pensions, and supplementary medical insurance set up by the Bank.

IV Significant accounting policies (Cont'd)

15 Financial guarantees and loan commitments

Financial guarantee contracts entered into by the Group include letters of credit, letters of guarantee and acceptances. If the guaranteed party defaults on a debt instrument, loan or violates the original or revised terms of other obligations, the financial guarantee contract provides a specified amount of compensation for the loss incurred to the holder of the contract.

Loan commitments represent the irrevocable commitments entered into by the Group, and they are the unused portions of loans contracted for by the Bank.

16 Provisions and contingent liabilities

A provision is recognised on the balance sheet if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

17 Interest income and expenses

The amount of interest income and expenses is calculated at amortised cost of relevant financial assets and financial liabilities using the effective interest rate, and recognised in profit or loss for the current period.

When a financial asset is impaired, interest rate used for the calculation of interest income is that used to discount future cash flows when measuring the impairment loss.

The interest income generated during the period in which the Group holds held-to-maturity investment and investment classified as receivables is calculated and recognised in the account of investment income.

18 Fee and commission income

Fee and commission income is recognised on an accrual basis when the service is rendered.

IV Significant accounting policies (Cont'd)

19 Income tax

Income tax expenses comprise current income tax and deferred income tax.

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) under tax laws.

(2) Deferred income tax

The Group measures deferred tax assets and liabilities using the balance sheet liability method in accordance with the differences between the carrying amount of certain assets or liabilities and their tax base, or temporary differences between the carrying amounts of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws.

In general, deferred income taxes are recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled as required in the tax law. Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity.

At the balance sheet date, the Group reviews the carrying amount of the deferred tax assets. If the amount of taxable income is insufficient to deduct the interests of the deferred tax assets in the future, the carrying amounts of deferred tax assets are written down. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(3) Offsetting of deferred tax assets and liabilities

Deferred tax assets are offset against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

IV Significant accounting policies (Cont'd)

20 Business combinations

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The combination costs refer to the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit and loss when they are incurred.

The acquirer’s identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria are measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer’s interest in the fair value of the acquirer’s identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition.

21 Fiduciary activities

The Group usually acts as a manager and entrustee to hold and manage assets for customers in the fiduciary activities. The assets involved in the fiduciary activities are not owned by the Group and are therefore not included in the Group's balance sheet.

22 Preparation of consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the Bank, all of its subsidiary and structured entities controlled by the Bank. Where variations in relevant facts and circumstances cause a change of the relevant elements involved in the definition of control, a reassessment will be made.

A subsidiary is consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary acquired by the Group, its operating results and cash flows have been included in the consolidated income statements and consolidated cash flow statements since the acquisition date. All subsidiaries controlled by the investment entities under the control of the Group also are consolidated.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Bank and subsidiary are inconsistent, the financial statements of the subsidiary are adjusted in accordance with the accounting policies and the accounting period of the Bank.

All intra-group balances, transactions and unrealised gains on transactions are eliminated in the consolidated financial statements, and the corresponding unrealised losses which are attributable to asset impairment losses in intra-group transactions are not eliminated.

IV Significant accounting policies (Cont'd)

23 Related parties

The only shareholder of the Group is the Ministry of Finance. Enterprises under joint control by the state without other related party relationship are not related parties of the Group. The related parties of the Group mainly include the following:

(a) The Ministry of Finance;
(b) The subsidiary of the Bank;
(c) Associates of the Group;
(d) Key management personnel of the Group and their immediate family members (key management personnel represent persons authorized and responsible for planning, directing and controlling the corporate activities of the Group).

V Key assumptions and uncertainties in the significant judgments and accounting estimates in the application of accounting policies

In the application of the accounting policies in Note IV, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the uncertainties inherent in its operating activities. These judgments, estimates and assumptions are based on historical experience of the management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgments, estimates, and assumptions are reviewed periodically on a going concern basis. Revisions to accounting estimates are recognised in the period in which estimates are revised if the revisions affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

At the balance sheet date, the Group needs to make judgments, estimates and assumptions about the amounts of line items in the financial statements, and key areas where there may be a significant risk resulting in significant adjustments in the carrying amounts of assets and liabilities over the next 12 months include:

1 Impairment of loans, investment classified as receivables and held-to-maturity investments

Individually significant loans, investment classified as receivables and held-to-maturity investments are assessed individually for impairment by the Group. If there is objective evidence that an impairment loss has been incurred, the impairment is recognised and recorded in impairment losses. Objective evidence of impairment includes deterioration in the financial condition of specific borrowers (or specific pools of borrowers) affecting their ability to meet their loan payment obligations, overdue status, financial position of guarantors, updates on the underlying projects, latest valuation results of the collateral, the proposed repayment arrangements by the borrowers or with assistance from relevant institutions, and concessions by the Group that would not otherwise be granted to borrowers for economic or legal reasons relating to their financial difficulties, as well as deterioration in regional economic conditions that are correlated to increasing loan defaults. These judgments are made both during management’s regular assessments of loan quality and when other circumstances indicate the possibility that objective evidence of impairment may exist.

Loans, investment classified as receivables and held-to-maturity investments not individually assessed as impaired and individually not significant loans, investment classified as receivables and held-to-maturity investments are assessed for impairment losses on a collective basis. Collective impairment assessment highly relies on judgements. Risk characteristics of the asset portfolios, changes and uncertainties of the macro-economic environment where the Bank operates, and the management of the financial assets on a portfolio basis, are taken into consideration when evaluating the method for impairment estimates.

V Key assumptions and uncertainties in the significant judgments and accounting estimates in the application of accounting policies (Cont'd)

2 Fair value of financial instruments

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. The Group mainly uses the discounted cash flow method. As far as possible, the Group uses only observable market data in its valuation models for determining the fair value of financial instruments; however, there are areas, such as assumptions relating to the credit risk of the Group and its counterparties, weighted average cost of capital, perpetual growth rates, liquidity discounts and comparable company multiples, that require the management to make estimates. Changes in assumptions about these factors could affect the estimated fair values of financial instruments.

3 Taxes

During the ordinary course of business, there are certain transactions and activities whose ultimate tax effects involve uncertainties. Significant judgment is required from the Group with respect to its tax positions. If the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the amounts of income tax, value-added tax and other taxes in the period in which such a determination is made.

VI Taxation

1 Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China, the applicable enterprise income tax rate is 25% for domestic operations of the Group. Pre-tax deduction items of enterprise income tax are governed by the relevant regulations of the PRC.

The branches of the Bank file tax declarations in accordance with local tax policies, and the taxes are collectively paid by the Head Office when it completes the annual tax settlement. The subsidiary of the Bank files tax declarations and pays taxes as a standalone entity.

2 Value-added tax

Pursuant to the Circular on Policies relating to Pilot Programs for Transition from Business Tax to Value-added Tax (*Cai Shui* [2016] No. 39) (hereinafter referred to as Circular No. 39) promulgated by the Ministry of Finance and the State Administration of Taxation, the Bank is eligible for electing to adopt the simplified tax method for calculating and paying value-added taxes at 3% for its interest income from agricultural loans and loans to rural areas and farming households. The Bank calculates and pays value-added tax at 3% for its interest income from agriculture-related loans as listed in Circular No. 39, calculates and pays taxes at 6% for taxable income from its principal business operations, including interest income from other loans, fee and commission income, and investment income and applies tax rates of 17%, 11% and 5% where appropriate to other business lines as stipulated under relevant policies.

3 City maintenance and construction tax

The Group calculates and pays city maintenance and construction tax at 5% and 7% respectively of the amount of its due turnover tax.

4 Educational surcharge

The Group calculates and pays educational surcharge at 2% and 3% respectively of the amount of its due turnover tax.

VII Holding subsidiaries and the scope of consolidation

For information on the subsidiary within the scope of consolidation, see Note VIII 10 (1).

VIII Notes to key items in the financial statements

1 Cash and deposits with the Central Bank

	The Group	
	31 December 2018	31 December 2017
Cash in hand	29,358,707,978.73	16,486,017,776.87
Statutory deposit reserve (1)	120,738,610,165.40	129,316,689,460.83
Surplus deposit reserve(2)	38,111,556,136.23	38,746,383,215.07
Foreign exchange deposit reserve	22,777,094.01	41,718,553.89
Total	188,231,651,374.37	184,590,809,006.66

	The Bank	
	31 December 2018	31 December 2017
Cash in hand	115,631,691.06	157,956,883.57
Statutory deposit reserve(1)	120,738,610,165.40	129,316,689,460.83
Surplus deposit reserve (2)	38,111,556,136.23	38,746,383,215.07
Foreign exchange deposit reserve	22,777,094.01	41,718,553.89
Total	158,988,575,086.70	168,262,748,113.36

(1) The Bank makes deposits to the required reserves maintained by the People's Bank of China as per relevant regulations, and these deposits cannot be used for daily operations of the Bank. The required statutory deposits include institutional deposits, extra-fiscal budget deposits, corporate entity deposit and other deposits. The required reserve ratios are as follows:

	The Group and the Bank	
Item	31 December 2018	31 December 2017
CNY	8.50%	8.50%
Foreign currencies	5.00%	5.00%

(2) Excess reserve deposits placed with the Central Bank represents the balances with the People's Bank of China that exceed the required reserve deposits, and are mainly used to facilitate settlements and position adjustments among banks.

VIII Notes to key items in the financial statements (Cont'd)

2 Deposits with banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2018	31 December 2017
Deposits with domestic banks	428,993,693,775.53	190,670,041,612.97
Deposits with offshore banks	615,865,041.91	296,809,486.69
Deposits with domestic non-bank financial institutions	3,844,181.57	17,403,718.37
Subtotal	429,613,402,999.01	190,984,254,818.03
Less: Allowances for impairment losses	(1,540,563.87)	(1,564,434.50)
Net balances	429,611,862,435.14	190,982,690,383.53

3 Placements with banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2018	31 December 2017
Placements with domestic banks	179,071,580,000.00	55,973,420,000.00
Placements with domestic non-bank financial institutions	46,550,000,000.00	28,000,000,000.00
Total	225,621,580,000.00	83,973,420,000.00

4 Financial assets at fair value through profit or loss

	The Group	
	31 December 2018	31 December 2017
Financial assets designated as at fair value through profit or loss		
-Equity investments	326,891,577,859.01	366,739,564,565.32
-Assets management plans	-	1,203,866,690.74
Total	326,891,577,859.01	367,943,431,256.06

	The Bank	
	31 December 2018	31 December 2017
Financial assets designated as at fair value through profit or loss		
-Assets management plans	-	1,203,866,690.74

VIII Notes to key items in the financial statements (Cont'd)

5 Financial assets held under resale agreements

By types of underlying assets:

	The Group and the Bank	
	31 December 2018	31 December 2017
Debt securities	89,077,859,000.00	211,903,186,000.00

By types of counterparties:

	The Group and the Bank	
	31 December 2018	31 December 2017
Banks	50,999,528,000.00	92,158,405,000.00
Fund and wealth management products	24,385,186,000.00	93,767,134,000.00
Security companies	10,693,250,000.00	19,477,887,000.00
Insurance companies	2,999,895,000.00	6,499,760,000.00
Total	89,077,859,000.00	211,903,186,000.00

6 Interest receivable

	The Group	
	31 December 2018	31 December 2017
Loans and advances to customers	9,657,761,494.43	10,507,341,161.16
Held-to-maturity investment	6,684,680,754.79	6,359,995,848.71
Deposits with banks and non-bank financial institutions	2,104,399,951.53	611,058,435.75
Investment classified as receivables	1,748,052,240.42	1,350,457,054.78
Others	377,301,577.15	2,089,232.72
Total	20,572,196,018.32	18,830,941,733.12

	The Bank	
	31 December 2018	31 December 2017
Loans and advances to customers	9,657,761,494.43	10,507,341,161.16
Held-to-maturity investment	6,684,680,754.79	6,359,995,848.71
Deposits with banks and non-bank financial institutions	2,104,399,951.53	611,058,435.75
Investment classified as receivables	1,748,052,240.42	1,350,457,054.78
Others	2,939,932.16	-
Total	20,197,834,373.33	18,828,852,500.40

VIII Notes to key items in the financial statements (Cont'd)

7 Loans and advances to customers

(1) Loans and advances to customers are as follows:

	The Group	
	31 December 2018	31 December 2017
Loans and advances to customers		
Loans and advances	5,039,584,935,824.65	4,661,787,773,776.94
Discounted bills	105,161,243,145.53	54,497,721,635.53
Total loans and advances to customers	5,144,746,178,970.18	4,716,285,495,412.47
Less: Allowance for impairement losses	(175,375,781,676.14)	(150,193,217,302.51)
Net balances	4,969,370,397,294.04	4,566,092,278,109.96

	The Bank	
	31 December 2018	31 December 2017
Loans and advances to customers		
Loans and advances	4,984,520,256,384.24	4,601,542,553,096.94
Discounted bills	105,161,243,145.53	54,497,721,635.53
Total loans and advances to customers	5,089,681,499,529.77	4,656,040,274,732.47
Less: Allowance for impairement losses	(173,196,663,353.07)	(148,879,755,772.96)
Net balances	4,916,484,836,176.70	4,507,160,518,959.51

VIII Notes to key items in the financial statements (Cont'd)

7 Loans and advances to customers (Cont'd)

(2) Provision for impairment of loans and advances to customers

	The Group	
	31 December 2018	31 December 2017
Balance at the beginning of the year	150,193,217,302.51	114,198,058,346.32
Accruals	33,841,349,281.41	42,894,771,333.33
Write-offs	(8,040,025,363.58)	(6,161,904,524.85)
Recovery after write-offs	80,315,070.62	20,227,484.37
Transfer out due to rise in discounted value	(699,074,614.82)	(757,935,336.66)
Balance at the end of the year	175,375,781,676.14	150,193,217,302.51

	The Bank	
	31 December 2018	31 December 2017
Balance at the beginning of the year	148,879,755,772.96	113,711,453,781.22
Accruals	32,975,692,487.89	42,067,914,368.88
Write-offs	(8,040,025,363.58)	(6,161,904,524.85)
Recovery after write-offs	80,315,070.62	20,227,484.37
Transfer-out due to rise in discounted value	(699,074,614.82)	(757,935,336.66)
Balance at the end of the year	173,196,663,353.07	148,879,755,772.96

VIII Notes to key items in the financial statements (Cont'd)

8 Held-to-maturity investment

	The Group and the Bank	
	31 December 2018	31 December 2017
Interbank deposits	106,021,949,712.93	92,456,629,274.44
Financial institution bonds	4,796,834,952.75	5,256,972,017.81
Total	110,818,784,665.68	97,713,601,292.25

9 Investment classified as receivables

	The Group and the Bank	
	31 December 2018	31 December 2017
Local government bonds	428,288,551,878.92	426,668,629,960.00
Other	-	300,495,872.25
Total	428,288,551,878.92	426,969,125,832.25

10 Long-term equity investment

The information of long-term equity investment is as follows:

		The Bank	
		31 December 2018	31 December 2017
Investment in subsidiary	(1)	458,000,000,000.00	458,000,000,000.00
Investment in associates	(2)	1,505,737,889.98	1,546,559,800.49
Others		250,000,000.00	-
Total		459,755,737,889.98	459,546,559,800.49

VIII Notes to key items in the financial statements (Cont'd)

10 Long-term equity investment (Cont'd)

The basic information of the Bank's long-term equity investment is as follows:

(1) The basic information of its subsidiary is as follows:

Name of investee	Place of registration	Nature of business	Registered capital (RMB Million)	Shareholding and voting rights (%) in investees held by the Group
China Agricultural Development Key Construction Fund Co., Ltd.	China	Financial industry	50,000	100%

(2) The basic information of principal associates are as follows:

Name of investee	Place of registration	Nature of business	Registered capital (RMB Million)	Shareholding and voting rights (%) in investees held by the Group
China Agriculture Industry Development Fund	China	Leasing and business service	4,000	25%
Modern Seed Development Fund	China	Financial industry	1,500	33.33%
Beijing Xiannong Investment Management Co., Ltd.	China	Leasing and business service	20	40.00%

(3) Movement of Long-term equity investment

	The Group	
	2018	2017
Balance at the beginning of the year	1,546,559,800.49	1,590,419,679.56
Increase in the current year	250,000,000.00	-
Invest income from associates	2,724,389.49	(12,842,056.36)
Share of other comprehensive income in associates	(41,946,300.00)	(27,817,822.71)
Dividend	(1,600,000.00)	(3,200,000.00)
Balance at the end of the year	1,755,737,889.98	1,546,559,800.49

	The Bank	
	2018	2017
Balance at the beginning of the year	459,546,559,800.49	459,590,419,679.56
Increase in the current year	250,000,000.00	-
Invest income from associates	2,724,389.49	(12,842,056.36)
Share of other comprehensive income in associates	(41,946,300.00)	(27,817,822.71)
Dividend	(1,600,000.00)	(3,200,000.00)
Balance at the end of the year	459,755,737,889.98	459,546,559,800.49

VIII Notes to key items in the financial statements (Cont'd)

11 Fixed assets

The Group and the Bank	Buildings	Transportation vehicles	Computers and ancillary equipment	Others	Construction in progress	Total
Cost						
1 January 2018	17,088,052,245.60	1,637,060,086.54	2,197,072,934.93	3,375,539,031.48	2,674,162,339.01	26,971,886,637.56
Additions	390,048,182.41	141,553,002.33	103,570,279.06	558,460,628.41	1,345,581,297.63	2,539,213,389.84
Transfer in/(out)	151,704,396.23	-	-	-	(151,704,396.23)	-
Decreases	(87,388,237.69)	(767,540,536.49)	(160,949,248.58)	(390,387,098.71)	(976,980,303.80)	(2,383,245,425.27)
31 December 2018	17,542,416,586.55	1,011,072,552.38	2,139,693,965.41	3,543,612,561.18	2,891,058,936.61	27,127,854,602.13
Accumulated depreciation						
1 January 2018	(5,479,123,338.06)	(1,273,787,800.78)	(1,760,112,090.28)	(1,862,874,313.77)	-	(10,375,897,542.89)
Accruals	(557,437,115.67)	(120,633,810.58)	(150,224,691.36)	(443,963,122.96)	-	(1,272,258,740.57)
Decreases	28,578,844.79	586,170,563.24	149,330,007.51	111,515,128.97	-	875,594,544.51
31 December 2018	(6,007,981,608.94)	(808,251,048.12)	(1,761,006,774.13)	(2,195,322,307.76)	-	(10,772,561,738.95)
Provision for impairment loss						
1 January 2018	(2,461,013.54)	-	-	-	(4,087,568.37)	(6,548,581.91)
Accruals	-	-	-	-	-	-
Decreases	564,626.21	-	-	-	-	564,626.21
31 December 2018	(1,896,387.33)	-	-	-	(4,087,568.37)	(5,983,955.70)
Net carrying value						
1 January 2018	11,606,467,894.00	363,272,285.76	436,960,844.65	1,512,664,717.71	2,670,074,770.64	16,589,440,512.76
31 December 2018	11,532,538,590.28	202,821,504.26	378,687,191.28	1,348,290,253.42	2,886,971,368.24	16,349,308,907.48

VIII Notes to key items in the financial statements (Cont'd)

11 Fixed assets (Cont'd)

The Group and the Bank	Buildings	Transportation vehicles	Computers and ancillary equipment	Others	Construction in progress	Total
Cost						
1 January 2017	15,598,819,575.01	1,639,246,892.25	2,263,786,764.85	3,043,929,871.43	3,690,408,217.82	26,236,191,321.36
Additions	1,686,649,819.79	18,112,318.49	141,839,617.26	529,725,933.48	2,007,223,363.11	4,383,551,052.13
Transfer in/(out)	264,704,031.48	-	-	-	(264,704,031.48)	-
Decreases	(462,121,180.68)	(20,299,124.20)	(208,553,447.18)	(198,116,773.43)	(2,758,765,210.44)	(3,647,855,735.93)
31 December 2017	17,088,052,245.60	1,637,060,086.54	2,197,072,934.93	3,375,539,031.48	2,674,162,339.01	26,971,886,637.56
Accumulated depreciation						
1 January 2017	(5,044,602,065.90)	(1,128,309,508.02)	(1,714,023,499.10)	(1,566,499,332.03)	-	(9,453,434,405.05)
Accruals	(500,807,724.25)	(154,527,723.61)	(185,481,290.82)	(403,686,319.71)	-	(1,244,503,058.39)
Decreases	66,286,452.09	9,049,430.85	139,392,699.64	107,311,337.97	-	322,039,920.55
31 December 2017	(5,479,123,338.06)	(1,273,787,800.78)	(1,760,112,090.28)	(1,862,874,313.77)	-	(10,375,897,542.89)
Provision for impairment loss						
1 January 2017	(10,754,707.47)	-	-	-	(4,087,568.37)	(14,842,275.84)
Accruals	(5,073.63)	-	-	-	-	(5,073.63)
Decreases	8,298,767.56	-	-	-	-	8,298,767.56
31 December 2017	(2,461,013.54)	-	-	-	(4,087,568.37)	(6,548,581.91)
Net carrying value						
1 January 2017	10,543,462,801.64	510,937,384.23	549,763,265.75	1,477,430,539.40	3,686,320,649.45	16,767,914,640.47
31 December 2017	11,606,467,894.00	363,272,285.76	436,960,844.65	1,512,664,717.71	2,670,074,770.64	16,589,440,512.76

VIII Notes to key items in the financial statements (Cont'd)

12 Intangible assets

The Group and the Bank	Land use rights	Software	Others	Total
Cost				
1 January 2018	287,329,502.27	846,965,090.90	31,484,926.00	1,165,779,519.17
Additions	52,292,568.56	80,779,581.80	4,341,723.24	137,413,873.60
Decreases	(350,000.00)	(208,307.52)	-	(558,307.52)
31 December 2018	339,272,070.83	927,536,365.18	35,826,649.24	1,302,635,085.25
Accumulated amortisation				
1 January 2018	(41,897,136.46)	(632,631,926.55)	(4,198,098.52)	(678,727,161.53)
Accruals	(12,968,703.09)	(72,149,321.55)	(1,287,359.63)	(86,405,384.27)
Decreases	77,620.83	203,630.79	-	281,251.62
31 December 2018	(54,788,218.72)	(704,577,617.31)	(5,485,458.15)	(764,851,294.18)
Provision for impairment loss				
1 January 2018	(486,744.00)	-	-	(486,744.00)
Accruals	-	-	-	-
Decreases	-	-	-	-
31 December 2018	(486,744.00)	-	-	(486,744.00)
Net carrying value				
01 January 2018	244,945,621.81	214,333,164.35	27,286,827.48	486,565,613.64
31 December 2018	283,997,108.11	222,958,747.87	30,341,191.09	537,297,047.07

VIII Notes to key items in the financial statements (Cont'd)

12 Intangible assets (Cont'd)

The Group and the Bank	Land use rights	Software	Others	Total
Cost				
1 January 2017	257,655,607.97	773,312,890.10	23,698,994.90	1,054,667,492.97
Additions	30,693,077.62	74,334,815.80	7,798,331.10	112,826,224.52
Decreases	(1,019,183.32)	(682,615.00)	(12,400.00)	(1,714,198.32)
31 December 2017	287,329,502.27	846,965,090.90	31,484,926.00	1,165,779,519.17
Accumulated amortisation				
1 January 2017	(34,991,308.08)	(554,993,845.19)	(3,167,520.90)	(593,152,674.17)
Accruals	(7,150,900.74)	(78,320,696.36)	(1,030,577.62)	(86,502,174.72)
Decreases	245,072.36	682,615.00	-	927,687.36
31 December 2017	(41,897,136.46)	(632,631,926.55)	(4,198,098.52)	(678,727,161.53)
Provision for impairment loss				
1 January 2017	(486,744.00)	-	-	(486,744.00)
Accruals	-	-	-	-
Decreases	-	-	-	-
31 December 2017	(486,744.00)	-	-	(486,744.00)
Net carrying value				
1 January 2017	222,177,555.89	218,319,044.91	20,531,474.00	461,028,074.80
31 December 2017	244,945,621.81	214,333,164.35	27,286,827.48	486,565,613.64

VIII Notes to key items in the financial statements (Cont'd)

13 Deferred tax assets and liabilities

	The Group	
	31 December 2018	31 December 2017
Deferred tax assets	39,481,483,383.35	29,659,098,463.88
Deferred tax liabilities	(166,609,669.70)	(216,974,898.74)
Net balances	39,314,873,713.65	29,442,123,565.14

Deferred tax assets and liabilities which correspond to temporary differences are listed as follows:

The Group

31 December 2018	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	148,891,112,623.11	37,222,778,155.77
Wages and welfare accrued but not paid	7,527,090,034.63	1,881,772,508.66
Other	1,507,730,875.66	376,932,718.92
Total	157,925,933,533.40	39,481,483,383.35
Deferred tax liabilities		
Accrual for interest income	(659,634,558.98)	(164,908,639.74)
Fair value adjustments	(6,804,119.83)	(1,701,029.96)
Total	(666,438,678.81)	(166,609,669.70)

31 December 2017	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	113,422,561,590.96	28,355,640,397.74
Wages and welfare accrued but not paid	5,213,832,264.56	1,303,458,066.14
Total	118,636,393,855.52	29,659,098,463.88
Deferred tax liabilities		
Accrual for interest income	(861,095,475.15)	(215,273,868.78)
Fair value adjustments	(6,804,119.83)	(1,701,029.96)
Total	(867,899,594.98)	(216,974,898.74)

VIII Notes to key items in the financial statements (Cont'd)

13 Deferred tax assets and liabilities (Cont'd)

	The Bank	
	31 December 2018	31 December 2017
Deferred tax assets	35,540,618,883.35	27,277,643,963.89
Deferred tax liabilities	(166,609,669.70)	(216,974,898.75)
Net balances	35,374,009,213.65	27,060,669,065.14

Deferred tax assets and liabilities which correspond to temporary differences are listed as follows:

The Bank

31 December 2018	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	133,127,654,623.11	33,281,913,655.77
Wages and welfare accrued but not paid	7,527,090,034.63	1,881,772,508.66
Other	1,507,730,875.66	376,932,718.92
Total	142,162,475,533.40	35,540,618,883.35
Deferred tax liabilities		
Accrual for interest income	(659,634,558.98)	(164,908,639.74)
Fair value adjustments	(6,804,119.83)	(1,701,029.96)
Total	(666,438,678.81)	(166,609,669.70)

31 December 2017	Deductible/(Taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets		
Provision for asset impairment	103,896,743,590.96	25,974,185,897.75
Wages and welfare accrued but not paid	5,213,832,264.56	1,303,458,066.14
Total	109,110,575,855.52	27,277,643,963.89
Deferred tax liabilities		
Accrual for interest income	(861,095,475.15)	(215,273,868.79)
Fair value adjustments	(6,804,119.83)	(1,701,029.96)
Total	(867,899,594.98)	(216,974,898.75)

VIII Notes to key items in the financial statements (Cont'd)

14 Other assets

	The Group and the Bank	
	31 December 2018	31 December 2017
Repossessed assets	4,925,393,003.86	4,965,502,276.80
Other receivables	2,320,103,492.63	2,634,925,419.26
Long-term prepaid expenses	2,873,616,327.49	2,706,629,438.29
Others	374,956,540.31	644,805,522.25
Total	10,494,069,364.29	10,951,862,656.60
Less: Provision for impairment of other assets	(4,158,504,141.73)	(1,730,347,451.20)
Net balances	6,335,565,222.56	9,221,515,205.40

The impairment provision for the Group's other assets primarily include impairment provision of repossessed assets and other account receivables.

VIII Notes to key items in the financial statements (Cont'd)

15 Provision for asset impairment

The Group

2018	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer out	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	150,193,217,302.51	33,841,349,281.41	(8,040,025,363.58)	80,315,070.62	-	(699,074,614.82)	175,375,781,676.14
Deposits with banks and non-bank financial institutions	1,564,434.50	(23,870.63)	-	-	-	-	1,540,563.87
Fixed assets	6,548,581.91	-	-	-	(564,626.21)	-	5,983,955.70
Intangible assets	486,744.00	-	-	-	-	-	486,744.00
Other assets	1,730,347,451.20	2,449,597,977.90	-	69,900.00	(21,511,187.37)	-	4,158,504,141.73
Total	151,932,164,514.12	36,290,923,388.68	(8,040,025,363.58)	80,384,970.62	(22,075,813.58)	(699,074,614.82)	179,542,297,081.44

2017	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer out	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	114,198,058,346.32	42,894,771,333.33	(6,161,904,524.85)	20,227,484.37	-	(757,935,336.66)	150,193,217,302.51
Deposits with banks and non-bank financial institutions	2,010,407.63	(445,973.13)	-	-	-	-	1,564,434.50
Fixed assets	14,842,275.84	5,073.63	-	-	(8,298,767.56)	-	6,548,581.91
Intangible assets	486,744.00	-	-	-	-	-	486,744.00
Other assets	1,555,428,938.30	203,039,005.12	-	-	(28,120,492.22)	-	1,730,347,451.20
Total	115,770,826,712.09	43,097,369,438.95	(6,161,904,524.85)	20,227,484.37	(36,419,259.78)	(757,935,336.66)	151,932,164,514.12

VIII Notes to key items in the financial statements (Cont'd)

15 Provision for asset impairment (Cont'd)

The Bank

2018	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer out	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	148,879,755,772.96	32,975,692,487.89	(8,040,025,363.58)	80,315,070.62	-	(699,074,614.82)	173,196,663,353.07
Deposits with banks and non-bank financial institutions	1,564,434.50	(23,870.63)	-	-	-	-	1,540,563.87
Fixed assets	6,548,581.91	-	-	-	(564,626.21)	-	5,983,955.70
Intangible assets	486,744.00	-	-	-	-	-	486,744.00
Other assets	1,730,347,451.20	2,449,597,977.90	-	69,900.00	(21,511,187.37)	-	4,158,504,141.73
Total	150,618,702,984.57	35,425,266,595.16	(8,040,025,363.58)	80,384,970.62	(22,075,813.58)	(699,074,614.82)	177,363,178,758.37

2017	Balance at the beginning of the year	Charge for the year/(write-back)	Write-offs	Recovery after write-offs	Transfer out	Transfer out due to discounted value increase	Balance at the end of the year
Loans and advances to customers	113,711,453,781.22	42,067,914,368.88	(6,161,904,524.85)	20,227,484.37	-	(757,935,336.66)	148,879,755,772.96
Deposits with banks and non-bank financial institutions	2,010,407.63	(445,973.13)	-	-	-	-	1,564,434.50
Fixed assets	14,842,275.84	5,073.63	-	-	(8,298,767.56)	-	6,548,581.91
Intangible assets	486,744.00	-	-	-		-	486,744.00
Other assets	1,555,428,938.30	203,039,005.12	-	-	(28,120,492.22)	-	1,730,347,451.20
Total	115,284,222,146.99	42,270,512,474.50	(6,161,904,524.85)	20,227,484.37	(36,419,259.78)	(757,935,336.66)	150,618,702,984.57

VIII Notes to key items in the financial statements (Cont'd)

16 Borrowings from the Central Bank

	The Group and the Bank	
	31 December 2018	31 December 2017
Pledged supplementary loan	406,400,000,000.00	392,200,000,000.00
Policy and liquidity reloan	272,000,000,000.00	302,000,000,000.00
Total	678,400,000,000.00	694,200,000,000.00

17 Deposits from banks and non-bank financial institutions

	The Group and the Bank	
	31 December 2018	31 December 2017
Domestic banks	285,237,578,448.87	12,918,983,504.10
Domestic non-bank financial institutions	5,446,334.30	1,479,006,967.60
Total	285,243,024,783.17	14,397,990,471.70

18 Financial liabilities at fair value through profit or loss

	The Group and the Bank	
	31 December 2018	31 December 2017
Designated as financial liabilities at fair value through profit or loss		
Including: Client-driven wealth management product	-	1,202,814,246.58

VIII Notes to key items in the financial statements (Cont'd)

19 Due to customers

	The Group	
	31 December 2018	**31 December 2017**
Corporate demand deposits	1,272,596,073,575.93	1,328,568,718,300.72
Corporate time deposits	98,860,078,144.37	93,634,896,372.09
Corporate margin deposits	16,982,942,249.84	15,400,213,777.76
Outward remittance and drafts and telegraphic transfers payable	176,840,431.62	150,138,830.65
Total	1,388,615,934,401.76	1,437,753,967,281.22

	The Bank	
	31 December 2018	**31 December 2017**
Corporate demand deposits	1,318,916,061,870.55	1,343,777,100,825.45
Corporate time deposits	98,860,078,144.37	93,634,896,372.09
Corporate margin deposits	16,982,942,249.84	15,400,213,777.76
Outward remittance and drafts and telegraphic transfers payable	176,756,040.82	150,138,830.65
Total	1,434,935,838,305.58	1,452,962,349,805.95

VIII Notes to key items in the financial statements (Cont'd)

20 Employee benefits payable

	The Group and the Bank	
	31 December 2018	31 December 2017
Short-term employee benefits (1)	8,844,871,039.12	7,553,529,949.40
Post-employment benefits (2)	399,636,978.10	394,418,484.81
Total	9,244,508,017.22	7,947,948,434.21

(1) Short-term employee benefits

The Group and the Bank

	2018			
	Opening balance	Increased	Decreased	Closing balance
Wages and salaries, bonuses, allowances and subsidies	7,393,720,052.43	11,984,000,004.45	(10,712,843,246.84)	8,664,876,810.04
Employee welfare	-	836,565,623.35	(836,565,623.35)	-
Social insurance	1,025,871.40	538,212,875.06	(537,874,915.28)	1,363,831.18
Including: Medical insurance	961,049.01	479,994,791.45	(479,696,048.89)	1,259,791.57
Employment injury and maternity insurance	15,626.91	46,395,438.81	(46,354,141.15)	56,924.57
Others	49,195.48	11,822,644.80	(11,824,725.24)	47,115.04
Housing funds	12,228,946.92	1,031,692,457.99	(1,031,898,834.30)	12,022,570.61
Labour union fee and Employee education fee	68,319,227.85	418,033,039.80	(427,769,759.20)	58,582,508.45
Other short-term employee benefits	78,235,850.80	177,278,431.31	(147,488,963.27)	108,025,318.84
Total	7,553,529,949.40	14,985,782,431.96	(13,694,441,342.24)	8,844,871,039.12

	2017			
	Opening balance	Increased	Decreased	Closing balance
Wages and salaries, bonuses, allowances 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: Medical insurance	2,059,748.23	418,416,885.04	(419,515,584.26)	961,049.01
Employment injury and maternity insurance	26,737.13	37,392,216.99	(37,403,327.21)	15,626.91
Others	49,195.48	14,581,950.87	(14,581,950.87)	49,195.48
Housing funds	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 employee benefits	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

VIII Notes to key items in the financial statements (Cont'd)

20 Employee benefits payable (Cont'd)

(2) Post-employment benefits

The Group and the Bank

	2018			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Basic pensions	21,597,207.69	1,360,295,848.35	(1,359,504,130.49)	22,388,925.55
Unemployment insurance	744,376.11	25,388,929.86	(25,355,108.76)	778,197.21
Supplementary retirement benefits	344,161,638.51	-	(2,045,144.83)	342,116,493.68
Supplementary pensions	6,038,717.94	523,033,412.00	(520,952,560.56)	8,119,569.38
Supplementary medical insurance	21,876,544.56	500,799,687.13	(496,442,439.41)	26,233,792.28
Total	394,418,484.81	2,409,517,877.34	(2,404,299,384.05)	399,636,978.10

	2017			
	Opening balance	**Increased**	**Decreased**	**Closing balance**
Basic pensions	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 benefits	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 insurance	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

21 Tax payable

	The Group	
	31 December 2018	**31 December 2017**
Enterprise income tax	7,943,109,847.96	5,225,503,014.79
Value added tax	1,823,495,341.86	1,567,543,011.71
Others	293,576,454.79	290,930,650.85
Total	10,060,181,644.61	7,083,976,677.35

	The Bank	
	31 December 2018	**31 December 2017**
Enterprise income tax	6,383,465,663.20	3,732,141,934.22
Value added tax	1,741,708,156.49	1,482,267,268.63
Others	285,397,736.25	282,403,076.55
Total	8,410,571,555.94	5,496,812,279.40

VIII Notes to key items in the financial statements (Cont'd)

22 Interest payable

	The Group and the Bank	
	31 December 2018	31 December 2017
Interest of debt securities issued	112,320,197,799.89	90,981,642,461.11
Interest of due to customers	2,084,697,339.23	1,682,486,859.20
Others	18,287,884.13	-
Total	114,423,183,023.25	92,664,129,320.31

23 Provisions

	The Group and the Bank	
	31 December 2018	31 December 2017
Financial guarantee and loan commitment	9,019,925,959.28	-

Since 2018, the Bank has begun to regularly take stock of its off-balance sheet items, including letters of credit, letters of guarantee, bank acceptances and loan commitments, and accrued provisions as per relevant regulatory requirements.

24 Debt securities issued

	The Group and the Bank	
	31 December 2018	31 December 2017
Debt securities issued	4,201,489,087,784.32	3,813,134,606,622.10

Based on national credit, debt securities issued by the Bank are all debenture bond or unsecured bond. As at 31 December 2018 and 31 December 2017, there had been no defaults on any principal, interest or redemption payments regarding debt securities issued by the Group and the Bank. The interest rates for the debt securities issued by the Group were determined with reference to the prevailing market rates in the same periods.

The principal and maturity date of debt securities issued by the Group are as follows:

	The Group and the Bank	
31 December 2018	Principal	Maturity date
Debt securities issued domestically	4,183,650,000,000.00	1-20 Years
Debt securities issued offshore	9,927,931,440.00	2-5 Years

	The Group and the Bank	
31 December 2017	Principal	Maturity date
Debt securities issued domestically	3,811,450,000,000.00	1-20 Years

VIII Notes to key items in the financial statements (Cont'd)

25 Other liabilities

	The Group and the Bank	
	31 December 2018	31 December 2017
Other payables	1,826,993,441.13	1,606,425,278.56
Deferred income	70,821,386.94	76,509,644.14
Others	441,004,393.21	628,929,664.12
Total	2,338,819,221.28	2,311,864,586.82

26 Share capital

The Group and the Bank	31 December 2018 and 31 December 2017	
	Balance	Shareholding ratio
Ministry of Finance of the People's Republic of China	57,000,000,000.00	100%

27 Capital reserve

	The Group and the Bank	
	31 December 2018	31 December 2017
Other capital reserve	12,397,525.36	12,397,525.36

28 Other comprehensive income

Other comprehensive income movement:

	Share of changes of other comprehensive income in associates
Balance at 1 January 2017	38,542,936.65
Movements during 2017	(27,817,822.71)
Balance at 1 January 2018	10,725,113.94
Movements during 2018	(41,946,300.00)
Balance at 31 December 2018	(31,221,186.06)

VIII Notes to key items in the financial statements (Cont'd)

29 Surplus reserve

According to relevant laws and regulations, the Group is required to appropriate 10% of net profit, under the Accounting Standards for Business Enterprises, to statutory surplus reserve. When the statutory surplus reserve accounts for more than 50% of the Bank's capital, the Group can cease appropriation. The statutory surplus reserve appropriated by the Group can be used to offset accumulated losses of the Group or to contribute to its capital, with remaining balance being no less than 25% of the share capital of the Group. The Group set aside RMB 1,811,749,290.33 (2017: RMB 1,711,826,414.72) for statutory surplus reserve at 10% of its year-end net profit.

In addition, the Bank can appropriate discretionary surplus reserve upon approval. No surplus reserve had been appropriated by the Bank in 2018 and 2017.

30 General risk reserve

	The Group and the Bank	
	31 December 2018	31 December 2017
General risk reserve	24,000,000,000.00	24,000,000,000.00

Pursuant to the requirement of the Ministry of Finance, in addition to the provision for impairment of assets, the Bank establishes general risk reserve to address unidentified potential impairment losses associated with risk assets.

31 Retained earnings

	The Group	
	2018	2017
Balance at the beginning of the year	42,819,918,270.32	27,413,480,537.82
Add: Net profit for the year ended	18,117,492,903.27	17,118,264,147.22
Less: Appropriation to statutory surplus reserve	(1,811,749,290.33)	(1,711,826,414.72)
Balance at the end of the year	59,125,661,883.26	42,819,918,270.32

	The Bank	
	2018	2017
Balance at the beginning of the year	42,816,186,448.61	27,410,901,079.19
Add: Net profit for the year	18,115,904,147.68	17,116,983,743.80
Less: Appropriation to statutory surplus reserve	(1,811,590,414.77)	(1,711,698,374.38)
Balance at the end of the year	59,120,500,181.52	42,816,186,448.61

VIII Notes to key items in the financial statements (Cont'd)

32 Net interest income

	The Group	
	2018	2017
Interest income		
Deposits with the Central Bank	2,841,246,648.72	2,513,372,730.73
Deposits with banks and non-bank financial institutions	14,858,960,596.81	6,433,233,247.65
Placements with banks and non-bank financial institutions	4,515,082,417.60	2,375,780,452.13
Financial assets held under resale agreements	4,717,250,558.57	9,985,574,271.98
Loans and advances to customers	227,742,856,000.53	194,610,145,984.50
Subtotal	254,675,396,222.23	215,918,106,686.99
Interest expenses		
Borrowings from the Central Bank	(21,871,627,888.91)	(18,661,414,916.65)
Deposits from banks and non-bank financial institutions	(8,010,803,866.47)	(552,504,953.38)
Placements from banks and non-bank financial institutions	-	(102,948.05)
Debt securities issued	(144,786,098,283.99)	(121,340,332,362.15)
Due to customers	(8,159,043,881.53)	(7,426,587,192.71)
Subtotal	(182,827,573,920.90)	(147,980,942,372.94)
Net interest income	71,847,822,301.33	67,937,164,314.05
Interest income includes:		
Interest income on impaired financial assets	699,074,614.82	757,935,336.66

VIII Notes to key items in the financial statements (Cont'd)

32 Net interest income (Cont'd)

	The Bank	
	2018	2017
Interest income		
Deposits with the Central Bank	2,841,246,648.72	2,513,372,730.73
Deposits with banks and non-bank financial institutions	14,060,299,536.03	6,273,656,647.53
Placements with banks and non-bank financial institutions	4,515,082,417.60	2,375,780,452.13
Financial assets held under resale agreements	4,717,250,558.57	9,985,574,271.98
Loans and advances to customers	226,876,496,459.75	193,702,969,927.97
Subtotal	253,010,375,620.67	214,851,354,030.34
Interest expenses		
Borrowings from the Central Bank	(21,871,627,888.91)	(18,661,414,916.65)
Deposits from banks and non-bank financial institutions	(8,010,803,866.47)	(552,504,953.38)
Placements from banks and non-bank financial institutions	-	(102,948.05)
Debt securities issued	(144,786,098,283.99)	(121,340,332,362.15)
Due to customers	(8,159,043,881.53)	(7,426,587,192.71)
Subtotal	(182,827,573,920.90)	(147,980,942,372.94)
Net Interest Income	70,182,801,699.77	66,870,411,657.40
Interest income includes:		
Interest income on impaired financial assets	699,074,614.82	757,935,336.66

33 Net income from fees and commissions

	The Group and the Bank	
	2018	2017
Fee and commission income		
Agent business fees	81,315,063.21	92,586,695.16
Clearing and settlement fee	22,942,866.13	63,368,328.00
Others	215,359,040.47	245,722,185.97
Subtotal	319,616,969.81	401,677,209.13
Fee and commission expenses		
Commission expenses	(164,960,734.15)	(319,048,631.70)
Net fee and commission income	154,656,235.66	82,628,577.43

VIII Notes to key items in the financial statements (Cont'd)

34 Investment income

	The Group	
	2018	**2017**
Investment classified as receivables	15,085,986,959.52	12,801,820,194.42
Financial assets at fair value through profit or loss	4,607,637,215.78	4,944,353,626.62
Held-to-maturity investments	4,220,710,125.88	3,576,496,054.06
Others	(26,023,293.70)	(12,842,056.36)
Total	23,888,311,007.48	21,309,827,818.74

	The Bank	
	2018	**2017**
Investment classified as receivables	15,085,986,959.52	12,801,820,194.42
Financial assets at fair value through profit or loss	-	1,279,578.08
Held-to-maturity investments	4,220,710,125.88	3,576,496,054.06
Others	(26,023,293.70)	(12,842,056.36)
Total	19,280,673,791.70	16,366,753,770.20

VIII Notes to key items in the financial statements (Cont'd)

35 Changes in fair value gains and losses

	The Group	
	2018	2017
Financial instruments at fair value through profit or loss	5,371,983,206.48	5,146,161,035.55
Foreign exchange derivative product	98,431,141.25	(125,098.78)
Total	5,470,414,347.73	5,146,035,936.77

	The Bank	
	2018	2017
Foreign exchange derivative product	98,431,141.25	(125,098.78)

36 Taxes and surcharges

	The Group	
	2018	2017
City maintenance and construction tax	441,846,231.46	375,565,913.95
Educational surcharge	315,095,669.85	269,214,141.36
Others	313,825,660.27	310,642,445.86
Total	1,070,767,561.58	955,422,501.17

	The Bank	
	2018	2017
City maintenance and construction tax	441,846,231.46	375,565,913.95
Educational surcharge	315,095,669.85	269,214,141.36
Others	280,926,183.72	275,540,945.23
Total	1,037,868,085.03	920,321,000.54

37 Operation and administrative expenses

	The Group	
	2018	2017
Staff expenses	17,395,300,309.30	16,551,056,606.82
Management expenses	3,165,920,575.71	3,270,471,267.10
Depreciation and amortisation expenses	1,418,639,682.62	1,410,433,320.78
Electronic equipment maintenance expenses	506,459,956.06	530,662,788.23
Business expenses	627,863,447.36	649,546,984.73
Others	1,143,842,774.66	942,772,663.02
Total	24,258,026,745.71	23,354,943,630.68

38 Impairment losses on assets

	The Group	
	2018	2017
Loans and advances to customers	33,841,349,281.41	42,894,771,333.33
Financial guarantees and loan commitments	9,019,925,959.28	-
Repossessed assets	2,449,855,098.03	182,991,947.29
Others	(280,990.76)	19,606,158.33
Total	45,310,849,347.96	43,097,369,438.95

	The Bank	
	2018	2017
Loans and advances to customers	32,975,692,487.89	42,067,914,368.88
Financial guarantees and loan commitments	9,019,925,959.28	-
Repossessed assets	2,449,855,098.03	182,991,947.29
Others	(280,990.76)	19,606,158.33
Total	44,445,192,554.44	42,270,512,474.50

39 Other operating expenses

	The Group and the Bank	
	2018	2017
Deposit insurance expenses	246,811,260.93	265,886,431.73
Repossessed assets custodian expenses	11,823,864.28	16,074,700.81
Others	2,190,911.42	50,327,851.58
Total	260,826,036.63	332,288,984.12

VIII Notes to key items in the financial statements (Cont'd)

40 Income tax expense

	The Group	
	2018	2017
Current income tax expenses	11,284,110,338.39	9,017,446,242.42
Deferred income tax expenses (Notes VIII 13)	(9,872,750,148.51)	(8,834,519,565.78)
Total	1,411,360,189.88	182,926,676.64

	The Group	
	2018	2017
Total profit	19,528,853,093.15	17,301,190,823.86
Income tax expenses calculated at applicable tax rate of 25%	4,882,213,273.29	4,325,297,705.97
Impact of tax-exempt income	(3,757,228,581.19)	(3,420,245,039.75)
Costs, expenses and losses not deductible for tax purposes	214,091,121.42	37,968,694.01
Adjustments on income tax for prior years which affect profit or loss	72,284,376.36	(760,094,683.59)
Income tax expenses	1,411,360,189.88	182,926,676.64

	The Bank	
	2018	2017
Current income tax expenses	9,724,170,753.19	7,514,969,634.62
Deferred income tax expenses (Note VIII 13)	(8,313,340,148.51)	(7,332,469,759.12)
Total	1,410,830,604.68	182,499,875.50

	The Bank	
	2018	2017
Total profit	19,526,734,752.36	17,299,483,619.30
Income tax expenses calculated at applicable tax rate of 25%	4,881,683,688.09	4,324,870,904.83
Impact of tax-exempt income	(3,757,228,581.19)	(3,420,245,039.75)
Costs, expenses and losses not deductible for tax purposes	214,091,121.42	37,968,694.01
Adjustments on income tax for prior years which affect profit or loss	72,284,376.36	(760,094,683.59)
Income tax expenses	1,410,830,604.68	182,499,875.50

VIII Notes to key items in the financial statements (Cont'd)

41 Supplementary information to the cash flow statement

(1) Reconciliation from net profit to cash flows from operating activities

	The Group	
	2018	**2017**
Net profit	18,117,492,903.27	17,118,264,147.22
Add: Impairment provision on loans	33,841,349,281.41	42,894,771,333.33
Impairment provision on financial guarantees and loan commitment	9,019,925,959.28	-
Impairment provision on repossessed assets	2,449,855,098.03	182,991,947.29
Impairment provision on other assets	(280,990.76)	19,606,158.33
Depreciation and amortisation of fixed assets, intangible assets and long-term prepaid expenses	1,418,639,682.62	1,410,433,320.78
Investment Income	(23,888,311,007.48)	(21,309,827,818.74)
Losses arising from changes in fair value	5,470,414,347.73	5,146,035,936.77
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(211,963,513.94)	(71,264,118.78)
Interest expenses of debt instrument issued	144,786,098,283.99	121,340,332,362.15
Increase in deferred tax assets	(9,872,750,148.51)	(8,834,519,565.78)
Net increase in operating receivables	(842,434,965,570.84)	(656,604,774,872.33)
Net decrease in operating payables	209,477,372,713.16	276,226,594,758.70
Net cash flows from operating activities	(451,827,122,962.04)	(222,481,356,411.06)

	The Bank	
	2018	**2017**
Net profit	18,115,904,147.68	17,116,983,743.80
Add: Impairment provision on loans	32,975,692,487.89	42,067,914,368.88
Impairment provision on financial guarantees and loan commitment	9,019,925,959.28	-
Impairment provision on repossessed assets	2,449,855,098.03	182,991,947.29
Impairment provision on other assets	(280,990.76)	19,606,158.33
Depreciation and amortisation of fixed assets, intangible assets and long-term prepaid expenses	1,418,639,682.62	1,410,433,320.78
Investment Income	(19,280,673,791.70)	(16,366,753,770.20)
Losses/(Gains) arising from changes in fair value	98,431,141.25	(125,098.78)
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(211,963,513.94)	(71,264,118.78)
Interest expenses of debt instrument issued	144,786,098,283.99	121,340,332,362.15
Increase in deferred tax assets	(8,313,340,148.51)	(7,332,469,759.12)
Net increase in operating receivables	(847,243,234,398.16)	(656,051,581,545.48)
Net decrease in operating payables	240,526,448,401.53	276,286,848,048.84
Net cash flows from operating activities	(425,658,497,640.80)	(221,397,084,342.29)

41 Supplementary information to the cash flow statement (Cont'd)

(2) Net changes in cash and cash equivalents

	The Group	
	2018	**2017**
Cash and cash equivalents at the end of the year	186,153,706,532.10	330,190,075,791.94
Less: Cash and cash equivalents at the beginning of the year	(330,190,075,791.94)	(217,027,211,510.49)
Net (decrease)/increase in cash and cash equivalents	(144,036,369,259.84)	113,162,864,281.45

	The Bank	
	2018	**2017**
Cash and cash equivalents at the end of the year	156,910,630,244.43	313,862,014,898.64
Less: Cash and cash equivalents at the beginning of the year	(313,862,014,898.64)	(225,586,846,430.49)
Net (decrease)/increase in cash and cash equivalents	(156,951,384,654.21)	88,275,168,468.15

(3) Cash and cash equivalents presented in the cash flow statement include:

	The Group	
	31 December 2018	**31 December 2017**
Cash in hand	29,358,707,978.73	16,486,017,776.87
Banks deposits that can be readily used for payment	38,111,556,136.23	38,746,383,215.07
Within the original maturity of no more than three months:		
Deposits with banks and non-bank financial institutions	12,761,862,417.14	190,984,254,800.00
Placements with banks and non-bank financial institutions	105,921,580,000.00	83,973,420,000.00
Total	186,153,706,532.10	330,190,075,791.94

VIII Notes to key items in the financial statements (Cont'd)

41 Supplementary information to the cash flow statement (Cont'd)

(3) Cash and cash equivalents presented in the cash flow statement include (Cont'd):

	The Bank	
	31 December 2018	31 December 2017
Cash in hand	115,631,691.06	157,956,883.57
Deposits with the Central Bank that can be used for payment	38,111,556,136.23	38,746,383,215.07
Other cash that can be readily used for payment Within the original maturity of no more than three months:		
Deposits with banks and non-bank financial institutions	12,761,862,417.14	190,984,254,800.00
Placements with banks and non-bank financial institutions	105,921,580,000.00	83,973,420,000.00
Total	156,910,630,244.43	313,862,014,898.64

42 Interests in structured entities

In the year 2017, the Group issued and managed several principal-guaranteed wealth management products, and recognised investments and related liabilities of such products respectively into the financial assets and financial liabilities at fair value through profit or loss. As at 31 December 2017, the balance of wealth management products issued and managed by the Group was RMB 1,202,814,246.58, and such products have matured in succession and were cashed in full in 2018.

IX Segment reporting

The Bank coordinates and allocates resources at the bank level. Therefore, based on the internal organisational structure, management requirements and internal reporting system, the Bank operates as a whole segment, and thus there is no need to disclose segment information.

X Related party relationships and transactions

1 Ministry of Finance

The Ministry of Finance holds 100% of the Group's equity. As at 31 December 2018 and 31 December 2017, there were no transactions and ending balance between the Group and the Ministry of Finance.

2 Transactions with associates

The transactions with associates take normal trading prices as the pricing base, and are conducted on normal commercial terms.

Equity investments in the suspense account

	Book Value	
Associates	31 December 2018	31 December 2017
Modern Seed Development Fund	500,000,000.00	500,000,000.00
Beijing Xiannong Investment Management Co., Ltd.	25,000,000.00	-

X Related party relationships and transactions (Cont'd)

2 Transactions with associates (Cont'd)

The Bank appropriates RMB 25 million and 500 million additional capital contribution to Beijing Xiannong Investment Management Co., Ltd., and Modern Seed Development Fund in 2018 and 2017 respectively. As negotiations regarding the additional capital contribution have yet to be completed, the Bank provisionally recorded the capital contributions in other assets.

3 Key management personnel

Key management personnel refers those persons who are authorized and responsible to plan, conduct and control the Group's activities. In 2018 and 2017, the Group's transactions and transaction amounts with key management personnel were not significant.

XI Contingencies and commitments

1 Legal proceedings

As at 31 December 2018, the Group and the Bank were involved in a number of litigations. Management of the Bank believes that the final results of these litigations will not have a material impact on the financial positions or operating results of the Group and the Bank.

2 Capital commitments

The Group's capital commitments that are contracted but yet to be presented on the balance sheets as of balance sheets date are as follows:

	The Group and the Bank	
	31 December 2018	31 December 2017
Equity investment	750,000,000.00	-
Fixed assets investment	357,971,023.39	333,006,223.58
Total	1,107,971,023.39	333,006,223.58

3 Credit commitments

	The Group and the Bank	
	31 December 2018	31 December 2017
Loan commitments	1,564,795,663,967.32	1,623,999,037,963.77
Guarantee and letters of guarantee issued	-	408,531,769.00
Letters of credit issued	2,562,661,415.71	2,368,443,497.01
Bank acceptance notes	1,727,177,590.00	2,315,267,091.00
Total	1,569,085,502,973.03	1,629,091,280,320.78

XII Risk management

1 Target and policy of risk management

The Group 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 Group achieves moderate profits on basis of capital level instead of pursuing the maximization of profits. The operating activities of the Group are exposed to various financial risks. The Group identifies, monitors, reports and deals with these financial risks and their combinations in the course of operations. Primary financial risks that the Group is confronted with are credit risk, market risk, operation risk and liquidity risk, among which, exchange rate risk and interest rate risk are included in market risk. The target of the Group is to achieve proper balance between risks and rewards, and reduce the negative impact to the financial reports.

The Group mainly raises funds by issuing financial bonds, and uses the proceeds in asset business to obtain revenues. The Group 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 requirements and demand for funds.

2 Credit risk

Credit risk is the risk of financial losses caused by default of the debtor or the counterparty. The credit risk of the Group exists mainly in loans and advances to customers, interbank loans, bond investments, bill acceptances, letters of credit, bank guarantees and other on- and off-balance sheet activities.

The Risk Management Department takes the lead in the Bank's enterprise-wide risk management, and the Credit Management Department specialises in managing credit risk. Each and every business department and credit approval department implement risk management policies and standards in their daily operations as per their respective functions and responsibilities, and contribute to risk management by carrying out specific risk control activities before, during and after the loan origination.

The Group continues to make solid improvements to standardising its end-to-end credit management process, step up efforts in the specialisation of key areas in the credit process, including optimization of credit rating and credit limits, credit review and approval, disbursement oversight, post-lending management, and disposal and workout of non-performing assets, and enhance the quality and efficiency of its overall credit risk management.

(i) Loans

In accordance with *Guidelines for Classification of Loan Risks* (Yin Jian Fa [2007] No. 54) issued by CBRC, the Group has established the credit risk classification system to measure and manage the quality of the Group's credit assets. The Group's five-tier credit risk classification system and the *Guidelines for Classification of Loan Risks* require that the credit assets be classified into the pass, special-mention, 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:

Pass: 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.

Special-mention: 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.

2 Credit risk (Cont'd)

(1) Loans (Cont’d)

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 securities provided are 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 derivative financial instruments

The Group 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 loans

The Group conducts regular reviews and management of the credit risk of individual financial institutions. A credit line is set for any bank or non-bank financial institution that has balances with the Group.

(4) Off-balance sheet credit risk exposure

The Group manages its off-balance sheet credit risk exposures separately by the characteristics of the products. Off-balance sheet credit risk exposures include conditional irrevocable loan commitments, letters of guarantee, bank acceptances, and letters of credit. The Group deems the conditional uncancellable loan commitments, letters of guarantee, bank acceptance and letters of credit also have credit risk, just like loans.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(5) Maximum exposures to credit risk before considering collateral held or other credit enhancements

As at the balance sheet date, the information on the maximum exposures of credit risk is set out below:

	The Group	
	31 December 2018	31 December 2017
On-balance sheet items		
Deposits with the Central Bank	158,872,943,395.64	168,104,791,229.79
Deposits with banks and non-bank financial institutions	429,611,862,435.14	190,982,690,383.53
Placements with banks and non-bank financial institutions	225,621,580,000.00	83,973,420,000.00
Financial assets at fair value through profit or loss	326,891,577,859.01	367,943,431,256.06
Financial assets held under resale agreements	89,077,859,000.00	211,903,186,000.00
Loans and advances to customers	4,969,370,397,294.04	4,566,092,278,109.96
Held-to-maturity investments	110,818,784,665.68	97,713,601,292.25
Investment classified as receivables	428,288,551,878.92	426,969,125,832.25
Other financial assets	2,320,103,492.63	2,634,925,419.26
Subtotal	6,740,873,660,021.06	6,116,317,449,523.10
Off-balance sheet items		
Loan commitments	1,564,795,663,967.32	1,623,999,037,963.77
Letters of guarantee issued	-	408,531,769.00
Letter of credit issued	2,562,661,415.71	2,368,443,497.01
Bank acceptance notes	1,727,177,590.00	2,315,267,091.00
Subtotal	1,569,085,502,973.03	1,629,091,280,320.78
Total	8,309,959,162,994.09	7,745,408,729,843.88

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(5) Maximum exposures to credit risk before considering collaterals held or other credit enhancements (Cont'd)

As at the balance sheet date, the information of maximum exposures of credit risk is set out below:

	The Bank	
	31 December 2018	31 December 2017
On-balance sheet items		
Deposits with the Central Bank	158,872,943,395.64	168,104,791,229.79
Deposits with banks and other financial institutions	429,611,862,435.14	190,982,690,383.53
Placements with banks and other financial institutions	225,621,580,000.00	83,973,420,000.00
Financial assets at fair value through profit or loss	-	1,203,866,690.74
Financial assets held under resale agreements	89,077,859,000.00	211,903,186,000.00
Loans and advances to customers	4,916,484,836,176.70	4,507,160,518,959.51
Held-to-maturity investments	110,818,784,665.68	97,713,601,292.25
Investment classified as receivables	428,288,551,878.92	426,969,125,832.25
Other financial assets	2,320,103,492.63	2,634,925,419.26
Subtotal	6,361,096,521,044.71	5,690,646,125,807.33
Off-balance sheet items		
Loan commitments	1,564,795,663,967.32	1,623,999,037,963.77
Letters of guarantee issued	-	408,531,769.00
Letter of credit issued	2,562,661,415.71	2,368,443,497.01
Bank acceptance notes	1,727,177,590.00	2,315,267,091.00
Subtotal	1,569,085,502,973.03	1,629,091,280,320.78
Total	7,930,182,024,017.74	7,319,737,406,128.11

The table above presents the credit risk exposures of the Group in the worst case scenario as at 31 December 2018 and 2017, i.e., credit risk exposures before considering any collateral or credit enhancement measures. For balance sheet items, the above credit risk exposures are presented using their net carrying amounts in the balance sheet.

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers

(a) Analysed by geographical sector concentrations

	The Group	
	31 December 2018	31 December 2017
Eastern district	1,571,191,548,218.99	1,371,705,222,431.58
Western district	1,440,239,135,020.84	1,300,328,757,778.26
Central district	1,351,264,230,032.03	1,171,556,738,535.31
Northeastern district	782,051,265,698.32	872,694,776,667.32
Total loans and advances to customers	5,144,746,178,970.18	4,716,285,495,412.47

	The Bank	
	31 December 2018	31 December 2017
Eastern district	1,544,264,613,367.77	1,342,770,893,765.67
Western district	1,419,153,463,588.75	1,276,446,391,734.15
Central district	1,344,962,934,590.17	1,164,896,468,500.38
Northeastern district	781,300,487,983.08	871,926,520,732.27
Total loans and advances to customers	5,089,681,499,529.77	4,656,040,274,732.47

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(b) Financial assets by customer industries

The Group	31 December 2018	
	Balance	%
Wholesale and retail trade	1,414,007,915,701.39	27.48%
Leasing and commercial services	1,236,975,936,168.25	24.04%
Water conservancy, environment and public facilities management	1,000,748,144,553.41	19.45%
Public transportation, storage and posting	401,235,849,655.72	7.80%
The construction industry	371,804,181,524.06	7.23%
The real estate industry	281,543,861,914.17	5.47%
Manufacturing industry	126,129,217,801.51	2.45%
Public management, social security and social organisation	82,916,000,169.66	1.61%
Agriculture, forestry, animal husbandry and fishery industry	68,777,655,673.66	1.34%
Others	55,446,172,662.82	1.09%
Subtotal	5,039,584,935,824.65	97.96%
Discounted bill	105,161,243,145.53	2.04%
Total Loans and advances to customers	5,144,746,178,970.18	100.00%

The Group	31 December 2017	
	Balance	%
Wholesale and retail trade	1,540,086,813,641.77	32.65%
Leasing and commercial services	804,214,207,413.95	17.05%
Water conservancy, environment and public facilities management	982,040,890,289.48	20.82%
Public transportation, storage and posting	409,303,184,710.93	8.68%
The construction industry	325,935,630,202.09	6.91%
The real estate industry	230,504,053,053.62	4.89%
Manufacturing industry	137,937,118,738.06	2.92%
Public management, social security and social organization	125,849,760,133.15	2.67%
Agriculture, forestry, animal husbandry and fishery industry	60,563,807,495.45	1.28%
Others	45,352,308,098.44	0.97%
Subtotal	4,661,787,773,776.94	98.84%
Discounted bill	54,497,721,635.53	1.16%
Total Loans and advances to customers	4,716,285,495,412.47	100.00%

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(b) Financial assets by customer industries (Cont'd)

The Bank	31 December 2018	
	Balance	%
Wholesale and retail trade	1,414,007,915,701.39	27.78%
Leasing and commercial services	1,236,975,936,168.25	24.30%
Water conservancy, environment and public facilities management	981,619,491,052.60	19.29%
Public transportation, storage and posting	394,068,150,533.18	7.74%
The construction industry	371,804,181,524.06	7.31%
The real estate industry	261,243,070,925.57	5.13%
Manufacturing industry	120,077,876,155.65	2.36%
Public management, social security and social organisation	82,916,000,169.66	1.63%
Agriculture, forestry, animal husbandry and fishery industry	68,777,655,673.66	1.35%
Others	53,029,978,480.22	1.04%
Subtotal	4,984,520,256,384.24	97.93%
Discounted bill	105,161,243,145.53	2.07%
Total Loans and advances to customers	5,089,681,499,529.77	100.00%

The Bank	31 December 2017	
	Balance	%
Wholesale and retail trade	1,540,086,813,641.77	33.08%
Leasing and commercial services	804,214,207,413.95	17.27%
Water conservancy, environment and public facilities management	961,268,258,908.34	20.65%
Public transportation, storage and posting	401,212,112,396.25	8.62%
The construction industry	325,935,630,202.09	7.00%
The real estate industry	208,195,156,443.09	4.47%
Manufacturing industry	131,328,810,322.09	2.82%
Public management, social security and social organisation	125,849,760,133.15	2.70%
Agriculture, forestry, animal husbandry and fishery industry	60,563,807,495.45	1.30%
Others	42,887,996,140.76	0.92%
Subtotal	4,601,542,553,096.94	98.83%
Discounted bill	54,497,721,635.53	1.17%
Total Loans and advances to customers	4,656,040,274,732.47	100.00%

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(6) Loans and advances to customers (Cont'd)

(c) Analysed by types of collateral

	The Group	
	31 December 2018	31 December 2017
Unsecured loans	2,176,103,871,953.63	2,228,966,947,547.99
Guaranteed loans	1,215,768,063,466.21	1,076,568,020,520.30
Mortgage loans	531,768,628,717.36	617,459,037,226.39
Pledged loans	1,221,105,614,832.98	793,291,490,117.79
Total Loans and advances to customers	5,144,746,178,970.18	4,716,285,495,412.47

	The Bank	
	31 December 2018	31 December 2017
Unsecured loans	2,152,812,837,183.45	2,200,494,412,165.20
Guaranteed loans	1,202,755,588,922.31	1,062,816,079,922.90
Mortgage loans	526,077,061,425.57	609,571,695,377.65
Pledged loans	1,208,036,011,998.44	783,158,087,266.72
Total Loans and advances to customers	5,089,681,499,529.77	4,656,040,274,732.47

(d) Loans and advances by overdue and impairment status are as below:

	The Group	
	31 December 2018	31 December 2017
Neither overdue nor impaired	5,099,368,412,219.08	4,666,878,544,460.82
Overdue but not impaired (i)	3,072,565,026.90	11,589,364,716.23
Impaired (ii)	42,305,201,724.20	37,817,586,235.42
Total	5,144,746,178,970.18	4,716,285,495,412.47
Less: Allowance for impairment losses	(175,375,781,676.14)	(150,193,217,302.51)
Total	4,969,370,397,294.04	4,566,092,278,109.96

	The Bank	
	31 December 2018	31 December 2017
Neither overdue nor impaired	5,044,303,732,778.67	4,606,633,323,780.82
Overdue but not impaired (i)	3,072,565,026.90	11,589,364,716.23
Impaired (ii)	42,305,201,724.20	37,817,586,235.42
Total	5,089,681,499,529.77	4,656,040,274,732.47
Less: Allowance as for impairment losses	(173,196,663,353.07)	(148,879,755,772.96)
Total	4,916,484,836,176.70	4,507,160,518,959.51

XII Risk management (Cont'd)

2 Credit risk (Cont'd)

(d) Loans and advances by overdue and impairment status are as below (Cont'd):

(i) Overdue but not impaired

	The Group and The Bank	
	31 December 2018	31 December 2017
Overdue within 1 month	2,105,696,941.12	4,966,653,159.52
Overdue within 1-2 months	966,868,085.78	2,898,641,035.69
Overdue within 2-3 months	-	2,482,570,521.02
Overdue over 3 months	-	1,241,500,000.00
Total	3,072,565,026.90	11,589,364,716.23

(ii) Impaired

	The Group and The Bank	
	31 December 2018	31 December 2017
Impaired	42,305,201,724.20	37,817,586,235.42
Less: Allowance for impairment losses	(24,855,418,824.93)	(21,219,657,754.20)
Total	17,449,782,899.27	16,597,928,481.22

XII Risk management (Cont'd)

3 Market risk

Market risk refers to the potential loss in both on and off-balance sheet businesses of a bank caused by adverse changes of market prices (interest rates, exchange rates, goods prices and stock prices). The market risks exist in the Group's proprietary trading activities and agency trading.

Exchange rate risk refers to the risk of loss due to changes in exchanges rates on its foreign exchange positions assumed as a result of transactions involving assets and liabilities denominated in foreign currencies.The mismatches between the repricing date of interest-bearing assets and interest-bearing liabilities are the main cause of the interest rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk of loss due to uncertainties arising from changes in market interest rates, and mainly includes gap risk, basis risk, and option risk. Of these three types, the basis risk is currently the main risk, and a common risk among banks. Currently, the Bank mainly uses interest rate sensitivity analysis to measure and analyse the impact of interest rate changes on the Bank's income and economic value for the current period. As interest rates become further market-driven, the banking industry will face increasingly greater interest rate risk, and all asset and liability business lines will be subject to interest risk arising from market interest rate fluctuations.

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis

The Group's exposures to interest rate risk from financial instruments at carrying amount by the earlier of contractual repricing or maturity dates are analysed as follows:

The Group	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2018					
Financial assets:					
Cash and deposits with the Central Bank	188,231,651,374.37	-	-	-	188,231,651,374.37
Deposits with banks and non-bank financial institutions	429,611,862,435.14	-	-	-	429,611,862,435.14
Placements with banks and non-bank financial institutions	225,621,580,000.00	-	-	-	225,621,580,000.00
Financial assets at fair value through profit or loss	25,922,751.50	3,198,040,887.42	323,667,614,220.09	-	326,891,577,859.01
Financial assets held under resale agreements	89,077,859,000.00	-	-	-	89,077,859,000.00
Loans and advances to customers	4,969,353,859,162.52	-	-	16,538,131.52	4,969,370,397,294.04
Held-to-maturity investments	106,021,949,712.93	-	4,796,834,952.75	-	110,818,784,665.68
Investment classified as receivables	40,395,740,000.00	242,859,231,878.92	145,033,580,000.00	-	428,288,551,878.92
Interest receivable	-	-	-	20,572,196,018.32	20,572,196,018.32
Total Financial assets	6,048,340,424,436.46	246,057,272,766.34	473,498,029,172.84	20,588,734,149.84	6,788,484,460,525.48

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis (Cont'd)

The Group (Cont'd)	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2018					
Financial liabilities:					
Borrowings from the Central Bank	586,000,000,000.00	92,400,000,000.00	-	-	678,400,000,000.00
Deposits from banks and non-bank financial institutions	285,243,024,783.17	-	-	-	285,243,024,783.17
Derivative financial liabilities	-	-	-	275,800,289.42	275,800,289.42
Due to customers	1,361,909,474,792.73	6,729,679,933.49	-	19,976,779,675.54	1,388,615,934,401.76
Debt securities issued	945,661,030,530.09	1,989,071,879,034.71	1,266,756,178,219.52	-	4,201,489,087,784.32
Interest payable	-	-	-	114,423,183,023.25	114,423,183,023.25
Total Financial liabilities	3,178,813,530,105.99	2,088,201,558,968.20	1,266,756,178,219.52	134,675,762,988.21	6,668,447,030,281.92
Total Interest repricing gap	2,869,526,894,330.47	(1,842,144,286,201.86)	(793,258,149,046.68)	(114,087,028,838.37)	120,037,430,243.56
31 December 2017					
Total Financial assets	5,344,935,553,103.53	218,386,532,198.53	566,829,880,216.85	18,850,359,002.59	6,149,002,324,521.50
Total Financial liabilities	2,989,092,590,834.23	1,839,848,188,245.24	1,113,483,914,175.60	110,928,814,686.84	6,053,353,507,941.91
Total Interest repricing gap	2,355,842,962,269.30	(1,621,461,656,046.71)	(546,654,033,958.75)	(92,078,455,684.25)	95,648,816,579.59

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis (Cont'd)

The Group's exposures to interest rate risk from financial instruments at carrying amount by the earlier of contractual repricing or maturity dates are analysed as follows:

The Bank	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2018					
Financial assets:					
Cash and deposits with the Central Bank	158,988,575,086.70	-	-	-	158,988,575,086.70
Deposits with banks and non-bank financial institutions	429,611,862,435.14	-	-	-	429,611,862,435.14
Investments with banks and non-bank financial institutions	225,621,580,000.00	-	-	-	225,621,580,000.00
Financial assets held under resale agreements	89,077,859,000.00	-	-	-	89,077,859,000.00
Loans and advances to customers	4,916,468,473,325.74	-	-	16,362,850.96	4,916,484,836,176.70
Held-to-maturity investments	106,021,949,712.93	-	4,796,834,952.75	-	110,818,784,665.68
Investment classified as receivables	40,395,740,000.00	242,859,231,878.92	145,033,580,000.00	-	428,288,551,878.92
Interest receivable	-	-	-	20,197,834,373.33	20,197,834,373.33
Total Financial assets	5,966,186,039,560.51	242,859,231,878.92	149,830,414,952.75	20,214,197,224.29	6,379,089,883,616.47

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

Repricing gap analysis (Cont'd)

The Bank (Cont'd)	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2018					
Financial liabilities:					
Borrowings from the Central Bank	586,000,000,000.00	92,400,000,000.00	-	-	678,400,000,000.00
Deposits from banks and non-bank financial institutions	285,243,024,783.17	-	-	-	285,243,024,783.17
Derivative financial liabilities	-	-	-	275,800,289.42	275,800,289.42
Due to customers	1,371,395,564,552.85	3,663,494,077.19	-	59,876,779,675.54	1,434,935,838,305.58
Debt securities issued	945,661,030,530.09	1,989,071,879,034.71	1,266,756,178,219.52	-	4,201,489,087,784.32
Interest payable	-	-	-	114,423,183,023.25	114,423,183,023.25
Total Financial liabilities	3,188,299,619,866.11	2,085,135,373,111.90	1,266,756,178,219.52	174,575,762,988.21	6,714,766,934,185.74
Total Interest repricing gap	2,777,886,419,694.40	(1,842,276,141,232.98)	(1,116,925,763,266.77)	(154,361,565,763.92)	(335,677,050,569.27)
31 December 2017					
Total Financial assets	5,269,675,946,570.62	216,176,225,832.25	202,300,622,017.81	18,848,056,259.03	5,707,000,850,679.71
Total Financial liabilities	3,004,300,973,358.96	1,839,848,188,245.24	1,113,483,914,175.60	110,928,814,686.84	6,068,561,890,466.64
Total Interest repricing gap	2,265,374,973,211.66	(1,623,671,962,412.99)	(911,183,292,157.79)	(92,080,758,427.81)	(361,561,039,786.93)

XII Risk management (Cont'd)

3 Market risk (Cont'd)

(2) Foreign exchange risk

The Group is exposed to exchange rate risks arising from changes in foreign exchange rates, which will affect its financial position and cash flow.

The majority of the Group's businesses are denominated in Renminbi, with small-scale operations denominated in US dollars, Euros and other foreign currencies. Through purchasing foreign currency swaps, the Group's exchange rate risk is mainly concentrated on USD. The Group has used exchange rate derivatives to hedge some of its USD exposures.

The Group measures the impact of exchange rate changes on its operations principally by using foreign currency exposures, exchange rate sensitivity analysis and tries to mitigate the exchange rate risk by actively adjusting its asset and liability structure and adopting hedging strategies in its transactions.

4 Liquidity risk

Liquidity risk is the risk that the Group is unable to fund its current obligations to deliver cash or other financial assets. Liquidity risk arises when the overall asset and liability structure or the maturity structure become unbalanced, the Bank does not have sufficient liquidity reserve, and the Bank cannot obtain the funds needed at reasonable cost in a timely manner, so as not to have sufficient cash to pay to its clients, and when it becomes serious, it may lead to the risk of bank runs. Adverse factors that may affect the liquidity of the Group mainly include: significant increase in the demand for credit, large-scale fulfillments of loan commitments, significant decrease in deposits, and difficulties in recovering loans when due, among others. In addition, other factors may adversely affect the liquidity of the Group, including adjustments of required reserve ratios by the People's Bank of China, drastic changes of interest rates domestically and offshore, and funding difficulties in monetary markets.

The Group, in light of its funding and asset/liability positions, adopts various ratios (including but not limited to liquidity ratio and liquidity coverage ratio) to monitor and manage its liquidity risk. The Group has initially put in place emergency response and early warning measures to mitigate its liquidity risk, and report the latest changes in its liquidity position to the senior management in a timely manner. The Group has the ability to ensure sufficient liquidity to meet its funding needs, including its obligations for matured debts and its asset business growth.

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

The Group's undiscounted cash flows of non-derivative and derivative financial instruments (settled in net or gross) by maturities in contracts are analysed as follows. The cash flows of financial instruments estimated by the Group may be significantly different from the analysis below:

The Group	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2018								
Non-derivative financial assets								
Cash and deposits with the Central Bank	-	67,470,264,114.96	-	-	120,761,387,259.41	-	-	188,231,651,374.37
Deposits with banks and non-bank financial institutions	-	1,761,862,417.14	-	11,000,000,000.00	416,850,000,018.00	-	-	429,611,862,435.14
Placements with banks and non-bank financial institutions	-	-	73,250,000,000.00	32,671,580,000.00	119,700,000,000.00	-	-	225,621,580,000.00
Financial assets at fair value through profit or loss	-	-	-	-	25,922,751.50	3,198,040,887.42	323,667,614,220.09	326,891,577,859.01
Financial assets held under resale agreements	-	-	75,522,671,000.00	13,555,188,000.00	-	-	-	89,077,859,000.00
Loans and advances to customers	20,901,690,387.80	-	35,650,357,935.39	51,156,189,372.14	2,164,719,708,608.34	950,011,616,591.29	1,746,930,834,399.08	4,969,370,397,294.04
Held-to-maturity investments	-	-	50,794,921,891.59	44,271,260,354.53	10,955,767,466.81	-	4,796,834,952.75	110,818,784,665.68
Investment classified as receivables	-	-	-	7,878,430,000.00	32,517,310,000.00	242,859,231,878.92	145,033,580,000.00	428,288,551,878.92
Interest receivables	-	20,572,196,018.32	-	-	-	-	-	20,572,196,018.32
Total non-derivative financial assets	20,901,690,387.80	89,804,322,550.42	235,217,950,826.98	160,532,647,726.67	2,865,530,096,104.06	1,196,068,889,357.63	2,220,428,863,571.92	6,788,484,460,525.48

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

The Group (Cont'd)	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2018								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	7,100,000,000.00	18,000,000,000.00	560,900,000,000.00	92,400,000,000.00	-	678,400,000,000.00
Deposits from banks and non-bank financial institutions	-	238,024,783.17	-	-	285,005,000,000.00	-	-	285,243,024,783.17
Due to customers	-	1,297,928,916,247.43	9,519,949,581.95	16,281,430,779.12	52,104,644,528.37	12,655,243,264.89	125,750,000.00	1,388,615,934,401.76
Debt securities issued	-	-	83,064,010,169.40	190,256,614,136.20	482,352,793,797.98	2,066,873,039,172.20	1,378,942,630,508.54	4,201,489,087,784.32
Interest payable	-	114,423,183,023.25	-	-	-	-	-	114,423,183,023.25
Total non-derivative financial liabilities	-	1,412,590,124,053.85	99,683,959,751.35	224,538,044,915.32	1,380,362,438,326.35	2,171,928,282,437.09	1,379,068,380,508.54	6,668,171,229,992.50
Net position	20,901,690,387.80	(1,322,785,801,503.43)	135,533,991,075.63	(64,005,397,188.65)	1,485,167,657,777.71	(975,859,393,079.46)	841,360,483,063.38	120,313,230,532.98
31 December 2017								
Total non-derivative financial assets	28,489,274,069.43	79,749,899,799.33	384,153,348,676.21	221,312,311,076.29	2,363,016,425,610.39	1,115,378,547,049.21	1,956,899,677,332.97	6,148,999,483,613.83
Total non-derivative financial liabilities	-	1,457,261,909,353.88	116,891,326,330.49	101,982,997,393.19	1,232,827,629,062.08	1,918,743,187,985.14	1,225,646,457,817.13	6,053,353,507,941.91
Net position	28,489,274,069.43	(1,377,512,009,554.55)	267,262,022,345.72	119,329,313,683.10	1,130,188,796,548.31	(803,364,640,935.93)	731,253,219,515.84	95,645,975,671.92

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

The Group's undiscounted cash flows of non-derivative and derivative financial instruments (settled in net or gross) by maturities in contracts are analysed as follows. The cash flows of financial instruments estimated by the Group may be significantly different from the analysis below:

The Bank	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2018								
Non-derivative financial assets								
Cash and deposits with the Central Bank	-	38,227,187,827.29	-	-	120,761,387,259.41	-	-	158,988,575,086.70
Deposits with banks and non-bank financial institutions	-	1,761,862,417.14	-	11,000,000,000.00	416,850,000,018.00	-	-	429,611,862,435.14
Placements with banks and non-bank financial institutions	-	-	73,250,000,000.00	32,671,580,000.00	119,700,000,000.00	-	-	225,621,580,000.00
Financial assets held under resale agreements	-	-	75,522,671,000.00	13,555,188,000.00	-	-	-	89,077,859,000.00
Loans and advances to customers	20,430,181,776.28	-	35,278,641,580.21	50,622,304,371.19	2,141,794,890,762.50	939,942,887,214.78	1,728,415,930,471.74	4,916,484,836,176.70
Held-to-maturity investments	-	-	50,794,921,891.59	44,271,260,354.53	10,955,767,466.81	-	4,796,834,952.75	110,818,784,665.68
Investment classified as receivables	-	-	-	7,878,430,000.00	32,517,310,000.00	242,859,231,878.92	145,033,580,000.00	428,288,551,878.92
Interest receivables	-	20,197,834,373.33	-	-	-	-	-	20,197,834,373.33
Total non-derivative assets	20,430,181,776.28	60,186,884,617.76	234,846,234,471.80	159,998,762,725.72	2,842,579,355,506.72	1,182,802,119,093.70	1,878,246,345,424.49	6,379,089,883,616.47

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Liquidity analysis of financial instruments (Cont'd)

The Bank (Cont'd)	Overdue/Indefinite	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2018								
Non-derivative financial liabilities								
Borrowings from the Central Bank	-	-	7,100,000,000.00	18,000,000,000.00	560,900,000,000.00	92,400,000,000.00	-	678,400,000,000.00
Deposits from banks and other financial institutions	-	238,024,783.17	-	-	285,005,000,000.00	-	-	285,243,024,783.17
Due to customers	-	1,344,248,820,151.25	9,519,949,581.95	16,281,430,779.12	52,104,644,528.37	12,655,243,264.89	125,750,000.00	1,434,935,838,305.58
Debt securities issued	-	-	83,064,010,169.40	190,256,614,136.20	482,352,793,797.98	2,066,873,039,172.20	1,378,942,630,508.54	4,201,489,087,784.32
Interest payable	-	114,423,183,023.25	-	-	-	-	-	114,423,183,023.25
Total non-derivative financial liabilities	-	1,458,910,027,957.67	99,683,959,751.35	224,538,044,915.32	1,380,362,438,326.35	2,171,928,282,437.09	1,379,068,380,508.54	6,714,491,133,896.32
Net position	20,430,181,776.28	(1,398,723,143,339.91)	135,162,274,720.45	(64,539,282,189.60)	1,462,216,917,180.37	(989,126,163,343.39)	499,177,964,915.95	(335,401,250,279.85)
31 December 2017								
Total non-derivative financial assets	27,863,927,559.94	63,419,749,688.03	383,802,743,455.08	220,705,141,979.62	2,335,063,387,284.30	1,101,639,204,456.47	1,574,503,855,348.60	5,706,998,009,772.04
Total non-derivative financial liabilities	-	1,472,470,291,878.61	116,891,326,330.49	101,982,997,393.19	1,232,827,629,062.08	1,918,743,187,985.14	1,225,646,457,817.13	6,068,561,890,466.64
Net position	27,863,927,559.94	(1,409,050,542,190.58)	266,911,417,124.59	118,722,144,586.43	1,102,235,758,222.22	(817,103,983,528.67)	348,857,397,531.47	(361,563,880,694.60)

XII Risk management (Cont'd)

4 Liquidity risk (Cont'd)

Off-balance sheet items

Loan commitments, letters of guarantee issued, bank acceptance notes and letters of credit issued by maturities in contacts are analysed as follows:

The Group and The Bank	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2018						
Loan commitments	28,690,250,960.38	521,895,891.79	111,092,366,468.32	54,690,472,193.66	1,369,800,678,453.17	1,564,795,663,967.32
Bank acceptance notes	240,897,590.00	647,400,000.00	838,880,000.00	-	-	1,727,177,590.00
Letters of credit issued	1,242,985,867.03	890,397,004.89	429,278,543.79	-	-	2,562,661,415.71
Total	30,174,134,417.41	2,059,692,896.68	112,360,525,012.11	54,690,472,193.66	1,369,800,678,453.17	1,569,085,502,973.03
31 December 2017	21,114,290,473.36	7,637,694,077.76	104,141,596,799.38	76,738,222,522.43	1,419,459,476,447.85	1,629,091,280,320.78

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities

The best evidence of the fair value of a financial instrument is the unadjusted quoted prices in active markets for identical assets or liabilities. When quoted prices in active markets are unavailable, the Group uses valuation techniques to determine the fair value of its financial instruments. The valuation techniques maximize the use of observable market data and minimize the reliance on the Group's own data, i.e., the valuation techniques used by the Group comprehensively consider all the factors that market participants consider in their pricing process, while remaining consistent with generally accepted economic theories for financial instrument pricing.

Financial instruments at fair value are classified into the following three levels of measurement hierarchy：

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(1) Financial instruments measured at fair value

The Group's financial instruments by fair value hierarchy level are analysed as follows:

The Group	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2018				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Equity investment	-	-	326,891,577,859.01	326,891,577,859.01
Derivative financial liabilities				
-Exchange rate derivatives	-	275,800,289.42	-	275,800,289.42

The Group	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2017				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Equity investment	-	-	366,739,564,565.32	366,739,564,565.32
-Asset management plan	-	-	1,203,866,690.74	1,203,866,690.74
Derivative financial assets				
-Exchange rate derivatives	-	2,840,907.67	-	2,840,907.67
Total	-	2,840,907.67	367,943,431,256.06	367,946,272,163.73
Financial liabilities				
Financial liabilities at fair value through profit or loss				
-Client-driven wealth management product	-	-	1,202,814,246.58	1,202,814,246.58

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(1) Financial instruments measured at fair value (Cont'd)

The Bank	Level 1	Level 2	Level 3	Total
31 December 2018				
Derivative financial liabilities				
-Exchange rate derivatives	-	275,800,289.42	-	275,800,289.42

The Bank	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial assets				
Financial assets designated as at fair value through profit or loss				
-Asset management plans	-	-	1,203,866,690.74	1,203,866,690.74
Derivative financial assets				
-Exchange rate derivatives	-	2,840,907.67	-	2,840,907.67
Total	-	2,840,907.67	1,203,866,690.74	1,206,707,598.41
Financial liabilities				
Financial liabilities at fair value through profit or loss				
-Client-driven wealth management product	-	-	1,202,814,246.58	1,202,814,246.58

As at 31 December 2018 and 2017, there had been no significant movements of financial instruments between Level 1 and Level 2.

XII Risk management (Cont'd)

5 Fair value of financial assets and liabilities (Cont'd)

(2) Financial instruments not measured at fair value through profit or loss

Financial assets and liabilities not measured at fair value through profit or loss on balance sheet mainly include: cash and deposits with the Central Bank, deposits with bank and non-bank institutions, placement with bank and non-bank institutions, financial assets held under repurchase agreement, interest receivables, loans and advances to customers, held-to-maturity investment, investment classified as receivables, borrowing from the Central Bank, placement from bank and non-bank institutions, due to customers, debt securities issued and interest payable.

The table below presents the book value and corresponding fair value of held-to-maturity investment, investment classified as receivables and debt securities issued. The following financial assets and liabilities both belong to the level 2.

The Group and The Bank

	31 December 2018	
	Carrying amount	**Fair value**
Held-to-maturity investment	111,250,000,000.00	111,274,184,000.00
Investment classified as receivables	428,288,550,000.00	424,601,581,939.48
Debt securities issued	4,201,489,087,784.32	4,253,596,990,443.60

	31 December 2017	
	Carrying amount	**Fair value**
Held-to-maturity investment	98,060,000,000.00	97,884,355,600.00
Investment classified as receivables	426,969,125,872.25	405,382,085,381.25
Debt securities issued	3,813,134,606,622.10	3,691,243,794,629.97

Apart from financial assets and liabilities above, the fair value of other financial assets and liabilities that are not measured at fair value is recognised through discounted cash flow method, and there is no significant difference between carrying amount and fair value.

6 Capital management

The concept of capital defined by the Group when performing capital management is broader than the “equity” item presented in the balance sheet, the aim of which is to:

- comply with the capital requirements set by the banking regulatory agency located at the place where the Group operates;

- guarantee the Group’s abilities to continue as a going concern so as to be able to continue providing return for equity holders; and

- maintain a strong capital base to support the development of its business.

XII Risk management (Cont'd)

6 Capital management (Cont'd)

The capital adequacy and the utilisation of regulatory capital are monitored in real time by the management of the Group in accordance with *Measures for Supervision and Management of Agricultural Development Bank of China* and relevant regulations promulgated by the CBIRC. Required information related to the levels and utilisation of capital is filed quarterly with the CBIRC.

XIII Subsequent events after the balance sheet date

As of April 30, 2019, the Bank had made 80 new issues of policy financial bonds for a total of RMB 479 billion.

XIV Comparing figure

For the purpose of financial statements for the current year, the Group has reclassified certain items in the 2017 financial statements to comply with the disclosure requirements of the current year.

APPENDIX 1

THE AGRICULTURAL DEVELOPMENT BANK OF CHINA
RMB FIXED RATE BONDS DUE 2020

Applicant Profile and Subscription Form

Note: Applicants with joint name accounts should provide information of one of the account holders only

References to the singular include the plural (as applicable in the case of joint name accounts).

Applicant's Name: ______________________________

Applicant's Number: ______________________________

Securities Account Number: ______________________________

Settlement Account Number: ______________________________

Handling/Brokerage Fee: ______________________________

Subscription Amount (RMB): ______________________________

Settlement Amount (RMB): ______________________________

Applicant's Declarations

I agree that the application process does not involve any solicitation or recommendation, and no suitability assessment is required.

I hereby confirm that I have read and correctly understood the "Offering Circular" dated 17 May 2019 before subscription.

In accordance with the section entitled "What Confirmations Do I Have to Make" in the Offering Circular, I acknowledge and hereby confirm that:

- I understand that the coupon payable for the Retail Bonds has not yet been fixed and will be determined on the pricing of the Institutional Bonds, subject to the Minimum Yield which will be afforded to me in respect of the Retail Offering;

- I agree to accept the Retail Bonds I have applied for or any lesser number allotted to me;

- I authorize you, my securities broker, to which I give my application instructions to credit any Retail Bonds allotted to me to my investment account with it and I understand that no certificates of title (including any temporary document of title) will be available to me for my Retail Bonds and my interest in the Retail Bonds is in book-entry form only;

- I agree that if I am not allotted any Retail Bonds or if my application is successful only in part, the whole or an appropriate portion of the application price will be returned to me without interest at my own risk;

- I understand and confirm that I am only permitted to make **ONE** application for the Retail Bonds, subject to a maximum amount of RMB200 million;

- I understand that the Bonds will be held through CMU which means that interest and principal will be paid to the bank account holders notified to the Agricultural Development Bank of China (the "**Bank**") by the CMU and not distributed through CMU;

- I have read and understood this Offering Circular and have relied on no other information or material relating to the Bonds;

- I have read and understood the section entitled "Terms and Conditions of the Bonds" in the Offering Circular and the application procedures set out in the Offering Circular and agree to be bound by them;

- I agree that neither the Bank nor Hong Kong Securities Clearing Company Limited ("**HKSCC**"), their respective directors, officers, agents and nominees will be liable to me or any other person in any way for any loss suffered as a result of the sale of the Retail Bonds to me in accordance with the terms and conditions in the Offering Circular;

- I confirm that I am not located within the United States, Canada or Japan and am not a U.S. Person and am purchasing the Bonds in an offshore transaction pursuant to Regulation S under the United States Securities Act of 1933 and rules and regulation promulgated under such Act. Terms used in this paragraph have the meanings given to them by Regulation S; and

- I understand that the Bank has taken no steps to qualify for or engage in a public offering (by means of publicity or otherwise) in any jurisdiction except Hong Kong SAR and if the laws of any place outside Hong Kong apply to my application, I agree and warrant that I have complied with all such laws and the Bank will not breach any laws outside Hong Kong as a result of the acceptance of my offer to purchase, or any action arising from my rights and obligations under the terms and conditions in the Offering Circular.

In addition, I also further acknowledge and confirm that:

1. I will comply with any applicable selling restrictions as stated in the Offering Circular;

2. I (i) have received from you the terms and conditions relating to the relevant securities account and the Offering Circular, (ii) have reviewed the Offering Circular; (iii) have read carefully all related documents and forms as described in the Offering Circular, and understand and agree to be bound by the contents of all such documents and forms; and (iv) understand the nature of the product and am/are willing to accept all the relevant risks involved;

3. I understand that the instructions provided herein are irrevocable;

4. I understand that you have the discretion to decide, from the date of the submission of this application, to retain the relevant settlement amount in my settlement account set out above until such settlement amount is debited from my settlement account on or before the closing date for the subscription, or until a notice is received stating that instructions as given in this subscription application cannot be executed for any reasons;

5. I agree to pay all fees (including brokerage fees, trading fees or any applicable levies) in connection with my application of the Bonds;

6. I understand that upon your approval of this application, you can deposit the product and any physical securities deliverable under the terms and conditions of the product into my securities account set out above;

7. I hereby authorise you to freeze and/or deduct from my settlement account set out above an amount no greater than the settlement amount upon submission of this application.

8. I agree that (a) you are acting in the capacity of an agent in handling this application and irrevocably appoint you as my agent in applying for the Bonds; and (b) you will receive from the Bank a placing and distribution fee of 0.18% of the allotted amount of the Bonds through HKSCC.

9. I understand the contents of this form.

I understand that if I am unable to provide the series of confirmations above (including those as contained in the Offering Circular and set out above), I am NOT eligible to apply for subscription.

Signature of Applicant Date:

BANK

Agricultural Development Bank of China
A2 Yuetanbeijie Street
Xicheng District
Beijing 100045
The People's Republic of China

FISCAL AGENT, REGISTRAR, PAYING AGENT, TRANSFER AGENT AND CMU LODGING AGENT

Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central
Hong Kong

LEGAL ADVISERS

To the Bank as to Hong Kong law

Linklaters
10th Floor, Alexandra House
Chater Road
Hong Kong

To the Bank as to PRC law

King & Wood Mallesons
18th Floor, East Tower
World Financial Center 1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020, P. R. China

To the Joint Lead Managers as to Hong Kong law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

To the Joint Lead Managers as to PRC law

Junhe Law Office
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing, PRC

FORMER INDEPENDENT AUDITOR

Grant Thornton Certified Public Accountants
5/F Scitech Palace
22 Jianguomen Wai Avenue
Beijing, PRC

CURRENT INDEPENDENT AUDITOR

PricewaterhouseCoopers Zhong Tian LLP
11/F PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road
Huangpu District
Shanghai, 200021, PRC